**EITI International Secretariat 15 February 2019**

Validation of Sierra Leone

Report on initial data collection   
and stakeholder consultation

# Abbreviations

ACC Anti-Corruption Commission

AfDB African Development Bank

APR Annual Progress Report

ASM Artisanal and small-scale mining

ASSL Audit Service Sierra Leone

ASX Australian Securities Exchange

AUD Australian Dollar

CAC Corporate Affairs Commission

CDA Community Development Agreement

CDF Community Development Fund

CRF Consolidated Revenues Fund

CSO Civil Society Organisation

DACDF Diamond Areas Community Development Fund

ECAS Environmental Cadastre Administration System / Environmental Protection License Registry

ECOWAS Economic Community of West African States

EIRT Extractive Industries Revenue Taskforce

EITI Extractive Industries Transparency Initiative

EIRA Extractive Industries Revenue Act

EIRT Extractive Industries Revenue Task Force

EIRU Extractive Industries Revenue Unit

EPA Environmental Protection Agency

EUR Euro

E&P Act Petroleum Act 2011

GDP Gross Domestic Product

GFS Government Finance Statistics

GGDO Government Gold and Diamond Office

GIS Geographic Information System

GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit

GoSL Government of Sierra Leone

INTOSAI International Organization of Supreme Audit Institutions

IPAU Integrated Projects Administration Unit

IA Independent Administrator

IAASB International Auditing and Assurance Standards Board

IMF International Monetary Fund

ISA International Standards on Auditing

ISRS International Standard on Related Services

ISSAI International Standards of Supreme Audit Institutions

ITA Income Tax Act 2000

MAGS Mining and General Services Limited

MCAS Minerals Cadastre Administration System

MCC Millennium Challenge Corporation

MCO Mining Cadastre Office

MDA Ministries, Departments and Agencies

MLGRD Ministry of Local Government and Rural Development

MMA Mines and Minerals Act 2009

MMMR Ministry of Mines and Mineral Resources

MoFED Ministry of Finance and Economic Development

MoLGRD Ministry of Local Government & Rural Development

MoU Memorandum of Understanding

MSG Multi Stakeholder Group

NACE National Advocacy Coalition on Extractives

NMA National Minerals Agency

NRA National Revenue Authority

NRGI Natural Resource Governance Institute

PAYE Pay As You Earn

PD Petroleum Directorate

PEFA Public Expenditure and Financial Accountability

PEP Politically Exposed Person

PFM Public Financial Management

PRRT Petroleum Resource Rent Tax

PSA Production sharing agreement

PMT Precious Minerals Trading

NRA National Revenue Authority

RDF Revenue Development Foundation

SLAJ Sierra Leone Association of Journalists

SLANGO Sierra Leone Association of Non-Governmental Organisations

SLEITI Sierra Leone Extractive Industries Transparency Initiative

SLL Sierra Leonean Leone

SO Strategic objective

SOE State-owned Enterprise

TIN Tax Identification Number

ToR Terms of Reference

TSA Treasury Single Account

USD United States Dollar

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# Executive Summary

The Government of Sierra Leone first announced its intention to join the Extractive Industries Transparency Initiative (EITI) in June 2006 and formed their first multi-stakeholder group (MSG), the Sierra Leone EITI Steering Committee (SLEITI), in June 2007. The government reaffirmed their commitment in October 2010 and on 22 February 2008 Sierra Leone was accepted as an EITI Candidate at the 4th EITI Board Meeting in in Accra, Ghana. By November 2018, Sierra Leone has published seven EITI Reports covering eleven fiscal years, 2006-2016.

On 25 October 2016, the Board agreed that Sierra Leone’s Validation under the 2016 EITI Standard would commence on 1 July 2018. Sierra Leone’s application for an extension of Validation was declined by the EITI Board, which nonetheless agreed to consider any progress made up to 4 September 2018. This report presents the findings and initial assessment of the International Secretariat’s data gathering and stakeholder consultations. While the assessment has not yet been reviewed by the MSG or been quality assured, the Secretariat’s preliminary assessment is that 14 of the requirements of the EITI Standard have not been fully addressed in Sierra Leone. Five of these are unmet with inadequate or no progress. The suggested corrective actions identified through this process relate to industry engagement (#1.2), civil society engagement (#1.3), MSG governance (#1.4), work plans (#1.5), license allocations (#2.2), state participation (#2.6), production data (#3.2), comprehensiveness (#4.1), barter agreements (#4.3), direct subnational payments (#4.6), data quality (#4.9), subnational transfers (#5.2), mandatory social expenditures (#6.1.) and public debate (#7.1). Strategic recommendations to improve implementation of other EITI requirements are also included.

#### Overall conclusions

The extractives sector in Sierra Leone, though small in comparison to the overall economy, constitutes a significant part of the country’s trade. More than 90% of exports by value from Sierra Leone come from the mining sector, especially the diamond trade. Sierra Leone’s economy has proven resilient to extreme shocks, including the civil war of 1991-2002, the Ebola virus outbreak in 2014 and the commodity price downturn from 2014. Still, Sierra Leone has made progress on specific reforms and policy changes, conducive to increased transparency and accountability, albeit in parallel, rather than as a consequence, of EITI implementation. In 2015, the country introduced capital gains taxes to ensure that the government shares in the transfer of assets and mineral rights between companies. In 2016, the country’s Public Financial Management Act began the transition from a Consolidated Revenue Fund towards a Treasury Single Account system. More recently, the Parliament passed the Extractive Industries Revenues Act 2018, to streamline taxes and levies on extractive industries, including new regulations on fiscal aspects of agreements with extractive companies.

Yet some efforts *are* directly linked to EITI. A draft Minerals Policy was awaiting Parliamentary approval at the start of Validation, which in line with the ruling party’s February 2018 manifesto calls for reform of mining sector legislation to explicitly cover several aspects of EITI Requirements such as contract disclosure. Other issues central to the government’s agenda include beneficial ownership and project-level reporting, through enforcement of ring-fencing requirements for corporate accounts. President Julius Maada Bio’s speech at the November 2018 Africa Beneficial Ownership Conference in Dakar provided strong assurances of the Government’s commitment to the EITI. For the petroleum sector, an amended Petroleum and Gas Law has been drafted and await ratification. A new artisanal mining policy is also a significant step to mitigate the sector’s traditional opacity. With such high-level political backing for EITI implementation, there are several opportunities for SLEITI to support informed public debate.

Although there have been several important outcomes of EITI implementation, challenges remain to ensure a level of transparency commensurate with provisions of the EITI Standard. Challenges related to license awards have largely been resolved and the public has access to a comprehensive Minerals Cadastre Administration System. However, government systems still do not provide for efficient tracking of mineral rights *transfers* between private companies. Agreements governing large-scale mining projects have largely already been published, even if the government’s policy on contract transparency has yet to be formalised.

The artisanal mining sector in the country has been of great importance throughout the country’s history, with a legacy of opacity. Almost half of all high-value exports in the country, particularly diamonds and gold, stem from artisanal and small-scale mining, yet concerns remain over the availability of comprehensive information on artisanal mining production data. Nonetheless, EITI implementation has contributed to improving fiscal transparency, especially at the subnational level despite lingering weaknesses in local governments’ administrative capacities.

A number of strategic improvements in government reporting systems could help address these challenges while transitioning towards systematic disclosures of EITI data. There is some duplication of reporting requirements between EITI implementation and statutory reporting to government (‘C-forms’), which could be integrated to reduce the burden of standalone EITI reporting and ensure timelier disclosure of EITI data.

#### Recommendations

The International Secretariat has identified 14 *corrective actions* that Sierra Leone should undertake to address shortcomings in meeting EITI Requirements, as well as 24 *strategic recommendations* that Sierra Leone is encouraged to consider for strengthening EITI implementation and transparency.

#### Corrective actions

1. In accordance with **Requirement 1.2**, the industry constituency is required to ensure the MSG representatives and broader constituency is fully, actively and effectively engaged in all aspects of EITI implementation. To galvanise industry's attention, the constituency could further formalise its consultative framework through revitalising the Chamber of Mines, by ensuring EITI implementation objectives are consistent with priorities of the industry constituency, and by ensuring concerns of the industry are adequately reflected at the MSG and in EITI reporting.
2. In accordance with **Requirement 1.3.a**, all interested civil society stakeholders must be able to fully, actively and effectively engage in the EITI process. The constituency may wish to formalise further the constituency’s engagement in the EITI process, to strengthen coordination between MSG members and the broader constituency. The constituency is also encouraged to ensure that all agreed policies, rules and documents are publicised online and regularly shared with the wider constituency. They may wish to ensure communication channels are formalised and regularly monitored and refreshed.
3. In accordance with **Requirement 1.4**, the MSG should ensure its updated MoU and Internal Rules *clearly* cover all provisions of Requirement 1.4.b and that any deviations from these rules in practice are publicly noted and addressed. Civil society and industry constituencies should formalise channels for wider constituency engagement, including by developing, agreeing and publishing procedures for nominating and changing MSG representatives in an open and transparent manner. The MSG is also encouraged to consider keeping public attendance records and publishing MSG minutes online, to ensure greater transparency of the MSG’s discussions and decisions.
4. In accordance with **Requirement 1.5**, Sierra Leone must ensure that its EITI workplan is updated annually and may wish to employ the most recent guidance to ensure recent developments and all required aspects are incorporated. In doing so, the MSG must consult a wide range of stakeholders, including those not directly represented at the MSG.
5. In accordance with **Requirement 2.2**, Sierra Leone should publicly disclose the procedures for awarding and transferring all extractives licenses, including specific technical and financial criteria and any non-trivial deviations from the applicable legal and regulatory framework.
6. In accordance with **Requirement 2.6.b**, Sierra Leone should ensure that where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these loans and guarantees are clarified, as well as any details on transactions related to them. Sierra Leone is urged to revisit such issues annually, to ensure comprehensive reporting of the state’s participation in the extractive sector.
7. In accordance with **Requirement 3.2**, the Government of Sierra Leone should ensure that all production volumes and values, including for the ASM subsector, is publicly accessible and reported on.
8. In accordance with **Requirement 4.1.a**, Sierra Leone should ensure that all significant payments and revenues made by extractive companies are considered in determining material revenue streams. Any omissions should be documented and justified. It should only exclude entities where payments are demonstrably not material, in accordance with **Requirement 4.1.c**. The MSG should also ensure that the government unilaterally reports all government revenues from the extractive sector, by individual revenue stream, regardless of its inclusion in the reconciliation exercise as per **Requirement 4.1.d**.
9. In accordance with **Requirement 4.3**, Sierra Leone is required to consider whether any agreements, or set of agreements, involve the provisions of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production rights. To do so, the MSG and the Independent Administrator needs to gain a full understanding of the terms of any relevant agreement and contracts between the state and other parties involved, the value of such agreements, and the materiality of such agreements relative to conventional agreements. Where such agreements are material, the MSG and Independent Administrator should ensure that EITI Reports provide a level of detail and transparency commensurate with disclosures and reconciliation of other payments and revenue streams.
10. In accordance with **Requirement 4.6**, Sierra Leone should undertake a comprehensive review of which direct taxes and levies extractive companies are subject to at subnational level. Sierra Leone should ensure that reporting mechanisms are established which allow for estimation of total subnational payments in Sierra Leone, to determining whether payments are material. The MSG should provide a comprehensive explanation of how such payments are determined, paid, and managed. Where material, the Sierra Leone should ensure that reconciled information on all companies’ payments to subnational government entities and the collection of payments are publicly accessible.
11. In accordance with **Requirement 4.9.a**, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with **Requirement 4.9.b.iii** and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:
    1. Agree on reporting templates ahead of data collection
    2. Ensure that the Independent Administrator provides a clear and categorical assessment of comprehensiveness and reliability of the (financial) data presented.
    3. Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.
12. In accordance with **Requirement 5.2**, Sierra Leone should ensure that subnational transfers of extractive sector revenues are publicly disclosed, when such transfers are mandated by national law or other revenue sharing mechanism. . In addition, Sierra Leone should publish the detailed transfer amounts calculated in accordance with the relevant revenue formulas to each subnational entity under both the Diamond Area Community Development Fund (DACDF) and surface rent payments that are distributed by central government agencies. Lastly, Sierra Leone should ensure actual transfers are disclosed in detail, reconciled and summarised, highlighting any deviation from statutory calculations.
13. In accordance with **Requirement 6.1**, Sierra Leone should ensure mandatory social expenditures, such as expenditures under Community Development Agreements, are comprehensively disclosed each reporting year. For all material mandatory social expenditures, companies are required to disclose the nature and value of transactions, whether in cash or in kind, and ensure that disclosures be disaggregated by non-government beneficiary with information on the names and functions of third-party beneficiaries. Sierra Leone is encouraged to reconcile mandatory social expenditures and consider disclosing information on companies’ voluntary social expenditures.
14. In accordance with **Requirement 7.1**, Sierra Leone should ensure timely dissemination of EITI data and findings as well as effective outreach to key stakeholders. It should also ensure that the SLEITI open data policy is implemented in practice. To strengthen implementation, Sierra Leone may wish to ensure that realistic workplan activities related to dissemination and outreach are duly implemented. Sierra Leone is encouraged to explore creative ways to disseminate EITI data to strengthen the EITI’s contribution to public debate. There were evidences of CSOs using data from the EITI reports in the past to launch reports. However, these reports are not recent, indicating that the CSOs activities in the extractive sector in Sierra Leone have slowed down.

Figure 1: Initial assessment card

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **EITI Requirements** | | **LEVEL OF PROGRESS** | | | | |
|  |  | **No progress** | **Inadequate** | **Meaningful** | **Satisfactory** | **Beyond** |
| **Categories** | **Requirements** |  |  |  |  |  |
| **MSG oversight** | Government engagement (#1.1) |  |  |  |  |  |
| Industry engagement (#1.2) |  |  |  |  |  |
| Civil society engagement (#1.3) |  |  |  |  |  |
| MSG governance (#1.4) |  |  |  |  |  |
| Work plan (#1.5) |  |  |  |  |  |
| **Licenses and contracts** | Legal framework (#2.1) |  |  |  |  |  |
| License allocations (#2.2) |  |  |  |  |  |
| License register (#2.3) |  |  |  |  |  |
| Policy on contract disclosure (#2.4) |  |  |  |  |  |
| Beneficial ownership (#2.5) |  |  |  |  |  |
| State participation (#2.6) |  |  |  |  |  |
| **Monitoring production** | Exploration data (#3.1) |  |  |  |  |  |
| Production data (#3.2) |  |  |  |  |  |
| Export data (#3.3) |  |  |  |  |  |
| **Revenue collection** | Comprehensiveness (#4.1) |  |  |  |  |  |
| In-kind revenues (#4.2) |  |  |  |  |  |
| Barter agreements (#4.3) |  |  |  |  |  |
| Transportation revenues (#4.4) |  |  |  |  |  |
| SOE transactions (#4.5) |  |  |  |  |  |
| Direct subnational payments (#4.6) |  |  |  |  |  |
| Disaggregation (#4.7) |  |  |  |  |  |
| Data timeliness (#4.8) |  |  |  |  |  |
| Data quality (#4.9) |  |  |  |  |  |
| **Revenue allocation** | Distribution of revenues (#5.1) |  |  |  |  |  |
| Subnational transfers (#5.2) |  |  |  |  |  |
| Revenue management and expenditures (#5.3) |  |  |  |  |  |
| **Socio-economic contribution** | Mandatory social expenditures (#6.1.) |  |  |  |  |  |
| SOE quasi-fiscal expenditures (#6.2) |  |  |  |  |  |
| Economic contribution (#6.3) |  |  |  |  |  |
| **Outcomes and impact** | Public debate (#7.1) |  |  |  |  |  |
| Data accessibility (#7.2) |  |  |  |  |  |
| Follow up on recommendations (#7.3) |  |  |  |  |  |
| Outcomes and impact of implementation (#7.4) |  |  |  |  |  |

|  |  |
| --- | --- |
| Legend to the assessment card | |
|  |  |
|  | **No progress.** The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled. |
|  | **Inadequate progress.** The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding, and the broader objective of the requirement is far from being fulfilled. |
|  | **Meaningful progress.** The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled. |
|  | **Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled. |
|  | **Beyond.** The country has gone beyond the requirement. |
|  | This requirement is only encouraged or recommended and should not be considered in assessing compliance. |
|  | The MSG has demonstrated that this requirement is not applicable in the country. |

# Introduction

#### Brief recap of EITI sign-up phase

Sierra Leone announced its intention to implement the EITI in June 2006. The government officially launched SLEITI at State House on 28 July 2007, having established an MSG in 2006 that approved the first EITI work plan in August 2007. The MSG was formalised through a Memorandum of Understanding (MoU) between the three constituencies in August 2007.[[1]](#footnote-2) Sierra Leone became an EITI Candidate on 22 February 2008, at the 4th EITI Global Conference in Doha. The country published its first EITI Report, covering 2006-07, in March 2010. While Sierra Leone was suspended by the EITI Board in February 2013 for not meeting all EITI requirements during two Validations under the EITI Rules in 2010 and 2012, the country was declared compliant with the EITI Rules in April 2014.[[2]](#footnote-3)

#### Objectives for implementation and overall progress in implementing the work plan

SLEITI’s objectives are framed by the strategic workplan for 2017-2019[[3]](#footnote-4) as the latest agreed document outlining the goals and visions of SLEITI. The objectives, first agreed in 2016, have subsequently been refined and further developed in 2017. The overall objective of the 2017-2019 workplan is improved extractives governance in Sierra Leone, including increased revenue transparency to enhance development for improved standards of living. To achieve this goal and overall objective, six strategic objectives have been formulated, each linked with a desired outcome[[4]](#footnote-5) and costed activities to achieve them. The objectives are aligned with national priorities[[5]](#footnote-6), especially those of the government elected in 2018. Ensuring compliance with the EITI Standard is explicitly mentioned in the ruling party’s manifesto for 2018.[[6]](#footnote-7) Additionally, several of the priorities mentioned under the heading “political and economic management of natural resources” are aligned or identical to those highlighted in the workplan. However, due to the change in government in 2018 SLEITI does not seem to have fully updated their workplan annually as per the EITI Standard. Implementation of the workplan has also suffered delays, which stakeholders from all constituencies have explained are due to the transition towards the newly elected government of March 2018. Yet the new government has renewed its commitment to EITI implementation, which should imply greater political support for implementation of the workplan going forward.

#### History of EITI Reporting

Sierra Leone has published seven EITI Reports covering eleven fiscal years (2006-2016). The timeliness of SLEITI’s reporting has been a challenge. While the 2006-2007 EITI Report was only published in March 2010, the 2008-10 EITI Report was published in September 2012 and the 2011 EITI Report in December 2013. Exacerbating the challenge of timely reporting, the Ebola virus disease outbreak from May 2014 to November 2015 severely affected implementation and the EITI Board granted SLEITI a reporting extension for its 2012 EITI Report in May 2014.[[7]](#footnote-8) The 2012 EITI Report was published in late 2015 and the 2013 EITI Report in February 2016. Reporting caught up to the two-year deadline rule of the EITI with the 2014 Report, published in December 2016. However, while Sierra Leone requested an extension to the deadline for its 2015 EITI Report, it was published in February 2018 before the EITI Board considered the request. In June 2018, Sierra Leone’s latest report was published, covering 2016.

#### Summary of engagement by government, civil society and industry

The MSG includes representatives from each constituency, but the process by which each constituency nominated their representatives remains unclear. The government remains engaged in the EITI process, especially considering developments since the elections of March 2018. The SLEITI Champion is now the Vice President of Sierra Leone, Dr Mohamed Juldeh Jalloh, while the MSG is chaired by the Minister of State for the Vice Presidency, Francess Alghali. Renewal of industry representatives and certain government representatives took place in 2018 ahead of commencement of Validation, although thus far industry representatives have not reached their full potential for engagement as there is no functioning Chamber of Mines or similar forum to ensure wider engagement of extractive companies. Significant concerns remain regarding civil society representation on the SLEITI MSG, as civil society have not held an open and transparent process for refreshing their members since the MSG was first constituted in 2006.

#### Key features of the country and extractive industry

Sierra Leone is a country in West Africa bordering Guinea and Liberia. With an estimated population of 7.4m in 2016 and a gross domestic product (GDP) of almost USD 3.6bn the country is categorised as a low-income country. Life expectancy is on the rise and is currently estimated as 51.8 years.[[8]](#footnote-9) The country is ranked 184 of 189 on the Human Development Index in 2017, with a score of 0.419. Still, this is a significant increase from 1990 levels[[9]](#footnote-10) which shows steady progress in human development despite significant socio-economic challenges.

In 1991 to 2002 the country experienced a brutal civil war killing more than 70 000 people and displacing approximately half of the population.[[10]](#footnote-11) Mineral resources played a vital role in funding the conflict. After the civil war Sierra Leone became one of the fastest growing economies in the world with a 20.7% GDP growth in 2013.[[11]](#footnote-12) However, in 2014 the country was again faced with crisis as the Ebola virus epidemic affected the country, leading to 14 124 cases and 3 956 deaths, while commodity prices plummeted globally at the same time. Although the World Health Organisation declared the country Ebola-free in 2016[[12]](#footnote-13), the economy experienced a significant contraction of 20.6% in 2015.[[13]](#footnote-14)

However, according to the latest Article IV Consultation of the International Monetary Fund (IMF), Sierra Leone’s economy is slowly recovering, and a large focus on policy corrections and structural reforms has been maintained.[[14]](#footnote-15) This is also evident through several broader reforms both by the current and former government, as evident in several wider governance indicators.[[15]](#footnote-16),[[16]](#footnote-17),[[17]](#footnote-18)

The extractive industries are the second-largest sector in Sierra Leone after agriculture, and the largest in terms of exports. Sierra Leone’s extractive industries mainly rely on four commodities: diamonds, iron ore, rutile and bauxite. Other commodities produced include zircon, ilmenite and gold. The country’s mineral exports accounted for 91.6% of total exports in 2016. Artisanal and small-scale mining is a significant contributor to the country’s mining sector, particularly in diamonds and gold, with the former accounting for almost half of total export sales.[[18]](#footnote-19) For large-scale mining operations, rutile and iron remain the largest sources of export earnings, valued at more than USD 100m and 140m respectively. Sierra Leone is one of the world’s largest producer of rutile, a form of titanium dioxide that is often used for production of heat-resistant ceramics, pigments and for producing titanium metals.

Figure 2: Extractive sector contribution to the economy (2016)

Sierra Leone’s revenues from the extractive industries are based on a tax and royalty system. The government does not participate in the sector, at least not through significant equity shares in upstream extractive sector companies as of 2016. According to EITI Reports, which cover the years 2006-2016, Sierra Leone’s government revenues from the extractives were less than USD 10m until 2011. There was a large increase in the following years to almost USD 75m, until the commodity price slump and Ebola virus epidemic of 2014-15.

Figure 3: Revenue profile Sierra Leone (2006-2016)

*Source: EITI Summary data,* [*https://eiti.org/api/v2.0/summary\_data*](https://eiti.org/api/v2.0/summary_data)*.*

The commencement of production at several iron ore mines in 2010-2012 contributed significantly to the country’s economic growth. The country’s GDP growth, which had hovered between 3.2% and 6% per year between 2008 and 2011, spiked at 15.2% in 2012 on the back of iron ore exports. As mentioned in 2013, GDP growth was reportedly at 20%. In 2011 the commencement of iron ore production at the Tonkolili Iron Ore mine, operated by Tonkolili Iron Ore (SL) Limited, led to the large increase in government revenues from the mining sector as visible in figure 3 above. In addition, several other projects were either scaling up their operations or new projects commenced. London Mining (SL) Limited who then operated the Marampa Iron Mine was awarded a Mining License in 2009 but production began in late 2012, before Timis Mining Corporation (SL) Limited took over operations in late 2014. Lastly, Sierra Rutile Limited’s tax and royalty payments increased significantly over the same period, as the sole large-scale rutile producer in Sierra Leone.

However, several operations and foreign investments halted substantially as the Ebola virus outbreak became a regional problem. Activities in the mining sector slumped by 83.7% in 2015 which was compounded by the decline in global iron ore prices and the subsequent closure of several mining companies’ operations. Even so, the Sierra Leonean economy has proven resilient after being declared Ebola-free since early 2016, and iron ore production has resumed.

Several exploration activities are taking place in the country’s extractive industries, including in oil and gas. While Sierra Leone is not currently an oil producer, an oil and gas discovery in 2010 sparked interest from several global oil companies. In October 2013, Lukoil Overseas announced another discovery of oil in the country’s deep-water offshore. Although the initial momentum has slowed, the government maintains their outreach to potential investors and companies, as evident through e.g. the fourth offshore petroleum licensing round commenced in February 2018. However, the licensing round was put on hold as the government wished to further consult companies directly.

#### Explanation of the Validation process

Validation is an essential feature of the EITI implementation process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. It also addresses the impact of the EITI, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

The Validation process is outlined in chapter 4 of the EITI Standard[[19]](#footnote-20). It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)
2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.
3. Independent quality assurance by an independent Validator who reports directly the EITI Board
4. Board review.

The [Validation Guide](https://eiti.org/document/validation-guide) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](https://eiti.org/document/validation-procedures), including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

The Validation Guide includes a provision that: “Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG”. The SLEITI MSG did not request special consideration for any topic.

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

#### 1. Desk Review

Prior to visiting the country, the Secretariat conducted a detailed desk review of the available documentation relating to the country’s compliance with the EITI Standard, including but not limited to:

* The EITI work plan and other planning documents such as budgets and communication plans;
* The multi-stakeholder group’s Terms of Reference, and minutes from multi-stakeholder group meetings;
* EITI Reports, and supplementary information such as summary reports and scoping studies;
* Communication materials;
* Annual progress reports; and
* Any other information of relevance to Validation.

In accordance with the Validation procedures, the Secretariat has not considered actions undertaken after the commencement of Validation.

#### 2. Country visit

A country visit took place on 5 to 9 November 2018. All meetings took place in Freetown, Sierra Leone. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders can freely express their views and that requests for confidentially are respected. The list of stakeholders is outlined in

Annex D: List of Annex A: List of MSG members .

#### 3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of compliance.

The International Secretariat’s team comprised of: Christoffer Claussen, Murjanatu Gamawa, Pablo Valverde, Alex Gordy, Eddie Rich and Sam Bartlett. Christoffer Claussen, Murjanatu Gamawa and Pablo Valverde conducted stakeholder consultations and prepared the draft initial assessment, others provided quality assurance.

# Part I – MSG Oversight

## 1. Oversight of the EITI process

This section relates to stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the MSG, and the EITI work plan.

### Government engagement in the EITI process (#1.1)

#### Documentation of progress

*Public statement*: The Government of Sierra Leone (GoSL) first declared its interest to implement EITI in a statement issued by the Minister of Presidential and Public Affairs at the 3rd EITI Global Conference in Oslo in October 2006. Since then there have been repeated high-level public commitments. Since before taking over power following elections in March 2018, President Julius Bio has made several public statements in support of the EITI, and the current ruling party has also included explicit references to progress on EITI Requirements and implementation in their manifesto from February 2018.[[20]](#footnote-21). During his State of the Nation address at the opening of Parliament on 10 May 2018, President Bio said that his government would “ensure full transparency in the sector through complying with the EITI Standards”.[[21]](#footnote-22) The President reiterated this commitment at an opening speech at the Africa EITI Conference on Beneficial Ownership Transparency in Dakar, Senegal.[[22]](#footnote-23),[[23]](#footnote-24) In addition, Vice President Juldeh Jalloh has reaffirmed the Government’s commitment to the EITI principles.[[24]](#footnote-25)

*Senior lead*: On 7 May 2018, President Julius Bio appointed the Office of the Vice President to host the national secretariat, led by the Minister of State Francess Piagie Alghali. The appointment followed extensive discussions following the dissolution of the Office of the Chief of Staff, which previously hosted SLEITI. This change appears to have ensured more consistent attendance of the MSG Chair at SLEITI meetings, based on review of MSG meeting minutes.[[25]](#footnote-26) As Minister of State Alghali was appointed MSG Chair, Vice President Jalloh was appointed as the EITI Champion.[[26]](#footnote-27)

In 2006, Minister for Presidential and Public Affairs Joseph M. Koroma was appointed as the champion. However, a series of personnel changes and the replacement of the position of Minister for Presidential and Public Affairs by a more powerful “Chief of Staff” in the Office of the President caused a lack of leadership for SLEITI.

The Chief of Staff rarely attended MSG meetings, and subsequently the Permanent Secretary for the Minister for Presidential and Public Affairs was designated as the ‘focal contact’ on behalf of the Minister for EITI and chaired MSG meetings.[[27]](#footnote-28) While the position was considered a senior post within the civil service and the new Permanent Secretary reiterated his commitment to EITI, the lack of any meaningful political leadership, due to absence from MSG meetings and a lack of engagement with either SLEITI or Validators for the 2010 Validation, posed a serious challenge for the future of EITI. Besides the Permanent Secretary chairing MSG meetings, most of the day-to-day operations of the Secretariat had been further delegated to other officials.

*Active engagement*: The national secretariat is hosted by the Office of the Vice President since 7 May 2018 and consists of four staff.[[28]](#footnote-29) The government is the most numerically represented at the MSG, with 13 agencies represented through 27 members at the start of Validation.[[29]](#footnote-30) According to analysis of MSG meeting attendance in 2017 (see

Annex B: MSG meeting attendance), the government was represented in person at each MSG meeting in 2017 and the one MSG meeting ahead of Validation in 2018. Representatives of reporting government entities demonstrated the highest attendance rate, including National Revenue Authority (NRA), National Minerals Agency (NMA) and the Petroleum Directorate (PD), as well as the Ministry of Finance and Economic Development (MoFED). Based on a review of MSG meeting minutes, these representatives were also the most actively engaged MSG members from government.

Certain government MSG members have never attended any MSG meeting in 2017-2018, namely from the Office of National Security and Local Council Association. For the latter, their inability to attend MSG meetings is of concern due to challenges in reporting by subnational entities, especially ensuring submission of the standardised reporting templates.[[30]](#footnote-31) The representation of subnational entities in the MSG will be needed to address other challenges in EITI implementation, including those linked to subnational issues (*see Requirements 4.6, 5.2 and 6.1*).

The government covered a substantial share of funding for SLEITI implementation in 2017. According to the 2017 annual progress report, the government covers SLEITI Secretariat salaries of SLL 916m and allocated SLL 465.52m for the SLEITI operational budget in 2017.[[31]](#footnote-32) This constitutes more than 80% of the total available funds.

#### Stakeholder views

Stakeholders from all constituencies confirmed that government has consistently been represented on the MSG, albeit with frequent turnover and regular use of proxies. Whilst some stakeholders noted that there had been some resistance to housing SLEITI in the Office of the Vice President, there was consensus that the decision had helped raise the EITI’s profile. There was also cautious optimism that the new chair would demonstrate strong leadership of the EITI, address internal challenges to the composition of the MSG (*see Requirement 1.4*), and make better use of the EITI as a platform to address reforms. Several stakeholders highlighted the establishment of the Extractive Industries Revenue Unit within the NRA in 2014 as a key reflection of engagement. Some stakeholders noted that the unit has been less active in later years but that there were plans to revitalise their activities.[[32]](#footnote-33)

According to government stakeholders, the government uses information disclosed through the EITI process. The SLEITI process has been used as a diagnostic tool for the NMA’s license data, available through the Minerals Cadastre Administration System (MCAS).[[33]](#footnote-34) Several government stakeholders also highlighted that their website was linked to SLEITI as a collating website.

Secretariat staff also confirmed that a majority of the budget for implementation – apart from certain funds provided by development partners for publication of EITI Reports – have been provided by the government. Stakeholders also highlighted that the disbursement of government funds had recently become monthly rather than annual, a change that secretariat staff claimed made planning more difficult. Development partners confirmed that they had ceased funding activities in the work plan except for the publication of EITI Reports following a deterioration of the relationship with the MSG (*see Requirement 1.4*).

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. In recent years, government engagement in Sierra Leone has faced several challenges linked to specific crises such as the outbreak of the Ebola virus. During the 2014-2018 period, there was sporadic and ineffective government engagement in EITI, with often-changing leads and focal points. However, these challenges seem to have been resolved with a restructuring of government leadership of EITI subsequent to the new government’s election in March 2018. The new government has responded by escalating senior government leadership of EITI to higher levels of government and enhancing its direct engagement with the MSG and national secretariat. The government also funds a majority of SLEITI implementation, despite the sector contributing less than 5% to government revenues.

To further strengthen implementation, the government may wish to ensure that its operational engagement in all aspects of EITI implementation is consistent and commensurate with the high-level political backing of EITI in Sierra Leone.

### Industry engagement in the EITI process (#1.2)

#### Documentation of progress

*Active engagement*: Sierra Leone’s extractive sector is dominated by small-scale mining of diamonds, and large-scale mining of iron and rutile. To date, several of the same large-scale mining operators have been represented on the MSG. These include Shandong Steel Mining Limited and Sierra Rutile Limited in 2017. Since 2018, industry is also represented by Koidu Holding Limited (including the principal, Octea Holdings SA), Sierra Rutile Limited (including the principal, Iluka Resources Limited), Shandong Steel Mining Limited and Sierra Leone Mining Company. However, the procedures for nominating industry members to the MSG are unclear (*see Requirement 1.4*).

Coordination supposedly takes place under the platform of the Chamber of Mines, but there is no evidence that the Chamber is active. MSG meeting minutes only provide limited evidence that companies have engaged through the MSG but does provide some examples of companies providing input to EITI reporting except to ensure better understanding of subnational obligations and cashflows.[[34]](#footnote-35) One industry representative has provided past inputs through the MSG towards reforms but is no longer part of the MSG (*see Requirement 2.1 and the Impact analysis*).[[35]](#footnote-36) There is little evidence of meaningful industry engagement in EITI implementation beyond the example provided above. Current representatives seem to limit their engagement to performing regular MSG functions such as endorsing decisions and observing the reporting process on behalf of industry, at least in recent reporting exercises. The latest available example of company reactions to EITI reporting was from the 2014 SLEITI Report where Nimini Mining Limited, not represented on the MSG, expressed concerns that a payment of USD 150 000 was not included in the EITI Report. The MSG subsequently investigated this gap and responded to it.[[36]](#footnote-37)

There is also evidence that industry MSG members have agreed to MSG decisions that they subsequently did not comply with. Sierra Rutile Limited, a MSG member, did not report for 2016 for the reasons set out on page 65. Shandong Steel Limited, another MSG member, also presented gaps in its reporting despite being represented at the MSG (*see Requirements 4.1 and 4.9*).

*Enabling environment*: The International Secretariat could not identify any barriers for companies to effectively and actively engage in the MSG, nor in broader EITI implementation. Although there are some legal provisions maintaining confidentiality of taxpayer information, in practice this has not been enforced for the purpose of EITI implementation. However, there is some anecdotal evidence of self-imposed hesitation to engage at the MSG due to alleged disruptions and confrontational debates by certain constituencies (*see stakeholder views*).

In legal terms, operating companies are now subject to mandatory reporting requirements under the Mines and Minerals Act 2009 and the Petroleum Exploration and Production Act 2011.[[37]](#footnote-38) These include so-called C-forms that should be filed with the NMA but are not publicly-disclosed. Many of these forms contain equivalent reporting requirements to the EITI Standard. Sections 159 and 160 of the Mines and Minerals Act also require both the Ministry and all individuals involved in the minerals sector to submit records of payment made/received and for these to be published at least once a year. In addition to these legal documents, provisions on transparency and accountability of the draft Minerals Policy is currently awaiting Parliamentary approval (*see Requirement 2.1*). The policy calls for reforms of the Mines and Minerals Act to ensure, in conjunction with other relevant issues, that mineral rights holders are required to submit regular updates and comprehensive project-level financial reporting.[[38]](#footnote-39) These reforms are highly conducive for systematic disclosure of EITI data and broader transparency, by obliging companies to publish their payments to government.

#### Stakeholder views

During consultations, some industry stakeholders expressed concerns related to certain EITI Requirements and to broader sector regulations, but they also conceded that the constituency had not warned the MSG of these concerns. Consultations revealed areas where companies had not expressed their views on the MSG in order to enhance clarity surrounding some aspects of the EITI Standard (*see Requirements 4.3, 4.6, 4.9 and 7.4*).

During consultations, industry representatives on and off the MSG confirmed that there were no significant limitations to disclosing information required by the EITI Standard. Nonetheless, there was consensus among stakeholders that company participation in MSG discussions had been less than satisfactory. Some industry representatives indicated they had tried to engage more actively but had been discouraged due to allegedly “disruptive” interventions by certain civil society representatives and the consequent absence of debates they considered meaningful.

All industry representatives appeared unaware that MSG members represented the constituency rather than the interests of their individual companies. These stakeholders viewed industry’s role primarily as providing data upon request. This was identified as a lack of awareness rather than a concerted attempt at limiting the industry’s voice. Several industry MSG members expressed strong interest in using the MSG as a platform for discussing extractives governance challenges but expressed doubts about whether this would be possible given the current composition of the MSG.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made meaningful progress in meeting this requirement. Companies are not fully and effectively engaged in the EITI process. While industry representatives regularly attend MSG meetings, their role appears to be limited to submission of data. Although previous MSG members displayed some indication of engagement in the design, implementation and monitoring of the EITI process, current members’ knowledge and engagement appears limited. There is no indication of regular contact between MSG members and the broader industry constituency. Formally, there are no barriers for companies to fully and actively engage in the EITI process, but there appears to be a lack of induction and knowledge of companies represented at the MSG regarding the intended scope of this platform. There appears to be no forum, either formal or ad hoc, through which industry can coordinate its activities as a constituency, given that the Chamber of Mines does not appear to be operational. Lastly, there is evidence that industry MSG members have agreed to decisions that they subsequently did not comply with. Although explanations for gaps or lack of reporting have been noted in MSG meeting minutes and through official letters, none of these explanations were accepted by the MSG as adequate. Neither do they seem adequate from the perspective of the International Secretariat as it does not display a commitment by industry to resolve bottlenecks of reporting, and no adapted implementation was sought for the period under review.

In accordance with Requirement 1.2, the industry constituency is required to ensure both MSG representatives and the broader constituency is fully, actively and effectively engaged in all aspects of EITI implementation. To galvanise industry's attention, the constituency could further formalise its consultative framework through revitalising the Chamber of Mines, by ensuring EITI implementation objectives are consistent with priorities of the industry constituency, and by ensuring concerns of the industry are adequately reflected at the MSG and in EITI reporting.

### Civil society engagement in the EITI process (#1.3)[[39]](#footnote-40)

#### Documentation of progress

There is evidence of a diverse and active civil society environment in Sierra Leone. Civil society does not appear inhibited by any external actor, although it has been noted that specific MSG representatives of civil society may not have the full support of the wider constituency.[[40]](#footnote-41)

*Expression:* Freedom of expression is constitutionally protected in Sierra Leone. Article 25 of Sierra Leone’s Constitution guarantees the right to freedom of expression, to hold opinions, and to promote ideas and information without interference. This includes freedom to correspond and to own and operate any medium to disseminate information.[[41]](#footnote-42) However, there are legislative provisions criminalizing defamation, seditious libel and publication of fake news in the Public Order Act.[[42]](#footnote-43) There is no evidence that this Act has been used by the authorities to prosecute journalists critical of the government in relation to natural resource governance or public financial management. However, although not related to EITI issues nor an infraction of the Civil Society Protocol, there is evidence of three reporters being charged with libel in September 2017, due to allegations of defamatory publications.[[43]](#footnote-44) The only other example, again not linked to EITI implementation in any way, stems from the 2014 Ebola crisis where the government allegedly used the state of emergency to arrest journalists critical of government responses to the health crisis.[[44]](#footnote-45)

Sierra Leone is rated as *partly free* by the Freedom House in 2018[[45]](#footnote-46), based on events occurring in 2017. Sierra Leonean civil society can speak freely in public about the EITI, both during MSG meetings and outside the platform. One such example consists of a large strike that occurred at one of Sierra Leone’s main mining sites, the Sierra Rutile mine. Civil society, media and others were freely able to criticise both companies and the subsequent government intervention in December 2018.[[46]](#footnote-47),[[47]](#footnote-48) Another example includes civil society organisations (CSOs) calling for the recently-elected government to investigate claims of financial mismanagement and alleged human rights violations.[[48]](#footnote-49) There is no evidence suggesting that civil society associated with the extractives sector have been restricted in their ability to express criticism of either government or companies.

*Operation:* NGOs in Sierra Leone must register with the Ministry of Finance and Economic Development and operate within the framework of revised NGO Policy Regulations from 2009.[[49]](#footnote-50) The regulations state that NGOs must renew their registration every two years, or face termination of the organisation’s status. NGOs are also subject to annual reporting requirements and must be members of Sierra Leone Association of Non-Governmental Organisations (SLANGO), an umbrella organisation mandated by the law, but requirements for registering appear uncontroversial.[[50]](#footnote-51) The policy also requires that 70% of all donor funds must be directed towards beneficiaries of the organisations’ activities. CSOs have criticised the policy on many occasions, including recently.[[51]](#footnote-52)

There is no evidence of restrictions on holding meetings or barriers for dissemination of information. There is also no evidence suggesting that civil society representatives have been restricted in their operations related to EITI implementation. There is evidence of CSOs publishing reports part-funded by international partners such as the Tax Justice Network, Christian Aid, ActionAid, Ibis and others.[[52]](#footnote-53),[[53]](#footnote-54),[[54]](#footnote-55)

*Association*: There is no evidence of any new restrictions, either government-imposed or otherwise, on civil society’s ability to freely associate in relation to EITI implementation. Sierra Leone’s Constitution provides for freedom of assembly, although the Public Order Act 1965[[55]](#footnote-56) regulates this right. For any meeting of ten persons and above, a permit must be secured from the Commissioner of Police 48 hours before the meeting commences. To convene a public meeting in the provinces, the permission of the Paramount Chief of the Chiefdom must be sought in writing. However, the International Secretariat could not locate any reliable evidence or information on the number of requests to hold rallies that are denied, nor any restrictions on public gatherings in practice. While there have been reported incidents of police using excessive force to disperse peaceful protests, especially during the state of emergency which was sparked by the Ebola crisis in 2015[[56]](#footnote-57), there is no indication that such incidents were related to demonstrations on natural resource governance.

While there is no publicly-accessible evidence suggesting that civil society members have been restricted from engaging with the wider civil society constituency in Sierra Leone, there is little evidence of CSO MSG members having regularly canvassed the opinion of members of the broader constituency as part of their work on the MSG. Evidence suggests that civil society’s outreach and information channels have not been restricted in practice, even if the mechanisms for regular consultations do not seem to be in place.

Civil society is represented on the MSG through the National Advocacy Coalition on Extractives (NACE) and through the Sierra Leone Association of Journalists (SLAJ). There is no evidence of any codified procedures for joining NACE, although the Constitution of SLAJ describes the steps required for membership.[[57]](#footnote-58) The NACE coalition consists of some seventeen organisations[[58]](#footnote-59), although there is anecdotal evidence that the number of CSOs focused on extractives have grown in the last decade. It is still striking to note that some government agencies are also listed as CSO members in the coalition, including the Anti-Corruption Commission and the Ministry of Mines and Mineral Resources.

*Engagement*: Publicly-available evidence points to a highly-vocal civil society constituency. In general, documentation indicates that civil society and the media are increasingly knowledgeable about the extractive sector, particularly on issues such as local content and community development agreements.

MSG meeting minutes shows that civil society has the opportunity to contribute and provide inputs to EITI discussions. Minutes show that CSOs were critical towards EITI reporting by Parliamentarians, and ensured that additional steps were taken to collect information.[[59]](#footnote-60) MSG minutes show that CSOs on their own initiative refrained from participating in a technical working group to provide input on the new draft Minerals Policy, as they wished to provide input as individual organisations rather than through the MSG.[[60]](#footnote-61) There is some documentation of dissemination of information on Community Development Agreements[[61]](#footnote-62), although there is no documentation of dissemination of 2015-2016 EITI Reports despite activities planned. There is no publicly-accessible evidence of any outreach activities by these organisations.

*Access to public decision-making*: There do not appear to be any barriers to civil society using EITI information to contribute to public debate and influence policy-making. On 29 October 2013, the government passed the Right to Access Information Act[[62]](#footnote-63), a positive step to increase transparency and respect for the rule of law. Despite serious resource constraints, civil society groups continue to demonstrate an understanding of the sector. However, organisations’ websites and publications indicate that the frequency of public events has slowed down since publication of the 2014 EITI Report. The representation of civil society groups on the Natural Resource Charter benchmarking expert panel is but one example of this expanded understanding of the sector.[[63]](#footnote-64) There are also documented cases where the MSG as a whole provided input to recent reforms and legislation, such as for the Extractive Industries Revenue Act 2018[[64]](#footnote-65) and to the draft Minerals Policy.[[65]](#footnote-66)

#### Stakeholder views

There was consensus among all stakeholders, from all constituencies, that civil society participation was free to function in accordance with the EITI’s Civil Society Protocol. The only described barrier to civil society’s ability to fully contribute to all aspects of EITI implementation was highlighted as lack of capacity on fiscal matters and funding for CSOs’ operations. However, stakeholders from the wider civil society constituency indicated that this capacity did exist outside of current MSG members’ organisations, with CSOs not members of the MSG demonstrating greater capacity on these issues. The challenge was therefore considered to be self-imposed by the constituency as current representatives were described by non-MSG members as resisting the renewal of the constituency’s MSG membership in line with the MSG’s internal governance rules (*see Requirement 1.4*).

Civil society stakeholders did not report any limitations to their freedom of expression, operation, association or engagement. Stakeholder consultations highlighted that all CSOs consulted appeared to have duly registered and seemed to operate freely in relation to EITI issues. Representatives from all three constituencies confirmed that the main constraint to effective civil society participation in the EITI process was a more general lack of capacity and access to funding. Most civil society representatives consulted confirmed that the number of organisations working on extractives had increased substantially over the last ten years, with rough estimates of around 500 individuals involved in civil society focusing on extractives advocacy. Industry representatives confirmed this increase and one government representative noted that the increase in CSO numbers had been accompanied by an increase in competition for international funding and recognition. This in turn was alleged to have led to a lack of incentives to work cohesively and had created incentives for CSOs to compete rather than collaborate, including through the MSG.

Several civil society stakeholders considered that there was a need for better information sharing and representation of CSOs on the MSG, to improve its effectiveness. They highlighted this as a challenge related to civil society’s ability to organise themselves. Civil society organisations *directly* represented at the MSG were described by the wider constituency as lacking capacity to fully understand and address fiscal issues, including tax avoidance. In terms of revenue collection, civil society were largely concerned with assessing the impact of tax *exemptions* in the mining sector, while the wider constituency were described as going beyond this to look at issues of tax avoidance or evasion.[[66]](#footnote-67) Still, the same stakeholders claimed outreach to non-MSG members did not take place. Neither did we locate any evidence suggesting outreach to the wider constituency had taken place.

Stakeholders from the media constituency agreed that media houses often depended on business from mining companies and as a result were often unwilling to publish critical stories. As a result, some had set up an independent network of journalists focusing on extractives that published quarterly stories not covered in mainstream media outlets. These stakeholders also clarified that these challenges had led several journalists and CSOs to established the Sierra Leone Association of Journalists (SLAJ) and Open Tax Initiative to circumvent any perceived barrier to producing articles criticising companies and government agencies related to the extractives.[[67]](#footnote-68) An international development partner confirmed that there was limited investigative journalism in the country but clarified that this was largely due to lack of capacity rather than constraints on the media sector. Secretariat staff confirmed that there was no culture of robust investigation of information, particularly in areas that could be considered social taboos such as the role of traditional authorities and social structures. However, it was clarified that there was no self-censorship on issues related to extractive industries, public financial management or economic governance.

Civil society stakeholders confirmed regular use of SLEITI Reports as a primary source of information for their campaigns. MSG members and secretariat staff regretted that difficult interpersonal relations with some representatives made it difficult to plan joint dissemination activities and MSG members from other constituencies that had recently joined the MSG said that they had been surprised by the “adversarial relationship” that civil society representatives had adopted in their engagement with the MSG. They also regretted that this did not allow them to work towards a common goal. Similarly, media representatives viewed their membership of the MSG as an information-sharing platform rather than a platform for engagement and debate. One stakeholder outside the MSG structure explained that there were no consultations with the wider constituency beyond the SLEITI Secretariat sharing information and publications.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made meaningful progress in meeting this requirement. There is clear evidence that CSOs freely express their views in relation to natural resource governance and public finance management issues. There is no evidence of coercion or fear of reprisals. CSOs are free and able to closely operate, communicate and assemble in relation to EITI implementation, and are able to be fully, actively engaged in the design, implementation, monitoring and evaluation of the EITI process. The main barrier for access of the wider constituency to the MSG and the EITI process is due to issues of internal coordination. No evidence was provided, including any anecdotal evidence from stakeholders, of civil society representatives on the MSG coordinating through (or beyond) NACE as an umbrella organisation. These gaps, apart from challenges in the renewal of civil society’s MSG representation (*see Requirement 1.4*), are symptoms of deficiencies both in MSG governance and in broader constituency organisation. These challenges have resulted in insufficient outreach and consultations with wider civil society stakeholders, creating a disconnect between the capacity and demands of the broader constituency.

In accordance with Requirement 1.3.a, all interested civil society stakeholders must be able to fully, actively and effectively engage in the EITI process. The constituency may wish to formalise further the constituency’s engagement in the EITI process, to strengthen coordination between MSG members and the broader constituency. The constituency is also encouraged to ensure that all agreed policies, rules and documents are publicised online and regularly shared with the wider constituency. They may wish to ensure communication channels are formalised and regularly monitored and refreshed.

### MSG governance and functioning (#1.4)

#### Documentation of progress

*MSG composition and membership*: The MSG was established in 2006 and formalised in August 2007 through an MoU signed by a single representative from each of the three constituencies.[[68]](#footnote-69) In 2011 another MoU, available on SLEITI’s website[[69]](#footnote-70), was signed by representatives from each constituency. The list of MSG members is also available on the SLEITI website, although it was only published after the commencement of Validation, on 25 October 2018.[[70]](#footnote-71) No MSG list was publicly available prior to this. Until June 2018, the MSG had not undertaken a coordinated renewal of its membership since its formation. The minutes from the June 2018 MSG meeting clarifies that all constituencies, particularly civil society and industry, agreed to renew their MSG representation within a three-month period.[[71]](#footnote-72) While two MSG members[[72]](#footnote-73) resigned their membership, no new MSG members seem to have replaced these representatives as of the start of Validation.

Although the SLEITI MSG Internal Governance Rules[[73]](#footnote-74) clearly states that each constituency must develop and publish their procedures for nominating and electing their own representatives, there is no available documentation related to nominations procedures. However, the SLEITI MSG Internal Governance Rules[[74]](#footnote-75) do outline some *general* rules and criteria that MSG member selection processes must follow, including gender balances, geographic diversity, level of expertise and a staggered election process to ensure the preservation of institutional memory. The current MSG comprises of 37 representatives from 20 agencies and organisations but does not clarify the status of MSG members as either full members or alternates. The government is the most numerically represented on the MSG, with 13 agencies or entities represented through 27 members at the time of writing.[[75]](#footnote-76) In contrast, civil society consists of two organisations represented by six members (four of which are members of NACE), while industry is represented through three members from as many companies (Shandong Steel, does not formally have a representative at the MSG according to existing documentation).

While the MSG’s internal rules place a limit of two terms (of three years each) for MSG members[[76]](#footnote-77), it appears from a review of MSG meeting minutes that most MSG members were not considered in breach of internal rules even though they were currently in their fourth tenure. Although the 2017 annual progress report indicates that the MSG agreed to ensure equal numerical representation[[77]](#footnote-78), there is no evidence that such a reform was is currently practiced or enacted.

*Civil society representation*: According to the SLEITI’s website, civil society is represented by the Sierra Leone Association of Journalists (SLAJ) and the National Advocacy Coalition on Extractives (NACE). The latest available MSG meeting minutes are for June 2018, which was also the first MSG meeting where a CSO representative stepped down and the MSG agreed to renew its membership. However, the constituency seems to lack any codified or agreed procedures for nominating MSG representatives. Although a few stakeholders indicated that an open and transparent nomination and election process existed (*see stakeholder views*), no documentation or evidence was provided to demonstrate the existence of such procedures, either statutorily or in practice. Equally, there do not seem to be any criteria for a diverse representation of civil society beyond the general provisions in the MSG’s Internal Rules.

*Industry representation*: The previous Validation in 2010 determined that mining companies had not been able to establish a functioning association/chamber, albeit noting that the establishment of a Chamber of Mines was underway. However, at the time of writing the association is still inactive and MSG representatives appear to only represent their own companies. A few large mining companies have not participated at the MSG, although this appears to have been by choice according to MSG meeting minutes. Representatives from three mining companies that sit on the MSG: Koidu Holding Limited (including the principal, Octea Holdings SA), Sierra Rutile Limited (including the principal, Iluka Resources Limited), and Sierra Leone Mining Company. While Shandong Steel Mining Limited also holds a MSG seat, there was no identifiable MSG representative from this company during Validation.

The views of small-scale miners, diamond dealers and exporters also does not seem to be represented on the MSG.[[78]](#footnote-79) There is no industry representation of artisanal and small-scale miners at the MSG, nor is there any evidence suggesting any outreach by the constituency themselves. MSG meeting minutes suggests that companies consider that such activities should be carried out upon the creation of a Chamber of Mines, which remains inactive.[[79]](#footnote-80),[[80]](#footnote-81)

*Government representation*: As previously stated, the government is the constituency most numerically represented at the MSG, with 13 agencies or entities represented through 27 members.[[81]](#footnote-82) The government retains the right to appoint its own representatives as per official procedures, using their own internal procedures rather than EITI-specific ones. Several MSG representatives are members by virtue of their position, although MSG seats are sometimes reassigned to different positions on an ad hoc basis. For instance, in May 2018 the newly elected government dissolved the Office of the Chief of Staff which housed the SLEITI Secretariat and MSG Chair, and placed SLEITI under the supervision of the Office of the Vice President.[[82]](#footnote-83) The extension request also highlights that several other representatives of the government subsequently changed due to new appointments.[[83]](#footnote-84)

*Terms of reference (ToR)*: The MoU of SLEITI[[84]](#footnote-85) provide the ToR for the MSG alongside the Internal Rules. The MoU contains language on SLEITI’s mission statement, vision, responsibilities of the MSG and its composition and some of the MSG’s functions. The document provides sufficient details in terms of certain roles and responsibilities of MSG members, specifically the necessary decision-making power for approval of workplans, hiring IAs and approval of EITI Reports and annual progress reports. It does not cover the MSG’s responsibilities to undertake effective outreach activities with civil society groups and companies, including the mode of communication with broader stakeholders. The MoU also includes procedures for inter-institutional cooperation, contracting and procurement, development of rules and briefly mentions conflict resolution and funding.

*Internal governance*: Internal governance rules are not included in the MoU but have been agreed as a separate document, the MSG’s Internal Rules.[[85]](#footnote-86) In addition to more specific deliberations on the MoU, the rules cover advance notice of meetings, minimum meeting attendance and two-week advance circulation of documents.

*Decision-making*: The rules on the MSG’s decision-making are covered in the MSG’s Internal Rules.[[86]](#footnote-87) It states that all MSG members can table any issue for discussion and that the MSG should strive to make all decisions by way of consensus. There is no evidence from meeting minutes suggesting otherwise. For issues categorised as “contentious” in the Internal Rules, they provide for decisions to be taken by vote, where 75% of votes in favour are required if the meeting is quorate, although also stipulating that each constituency has veto powers. However, the Internal Rules do not stipulate the definition of ‘contentious’ issues.[[87]](#footnote-88) In case a vote is held, a simple majority seems sufficient according to the internal rules, although no votes were recorded in any meeting minutes. This suggests that MSG decisions are made by consensus.

*Record-keeping*: The Internal Rules require that MSG meeting minutes and MSG meetings agendas must be circulated with members at least two weeks ahead of any MSG meeting. These must contain the main points of proceedings and the discussion outcomes. The Internal Rules provide for preparation of MSG meeting minutes but explicitly state that MSG meeting minutes are not to be made public. Based on MSG meeting minutes, draft meeting minutes are indeed submitted for approval and no complaints that papers have been submitted late have been reported.

*Capacity of the MSG*: The 2017 annual progress report notes 13 different activities that aim to strengthen internal capacity. About half of these refer to the MSG, while the other half refers to the SLEITI Secretariat.[[88]](#footnote-89)

*Per diems*: According to the 2017 annual progress report, disclosure of per diem practices have been agreed through the Internal Rules. However, the Internal Rules do not seem to contain such provisions and there does not appear to be any other documents codifying the MSG’s practice of per diems. However, stakeholders did reveal that there are no per diems associated with MSG meetings, apart from certain compensations of USD 10-12 for transport to events outside the capital.

*Attendance:* Based on a review of MSG attendance in 2017-2018[[89]](#footnote-90), the MSG was quorate for all meetings apart for one, on 9 June 2017. However, MSG meeting minutes for that meeting indicate that the minutes and decisions were subsequently circulated with the missing consistency (industry) for approval post-hoc.[[90]](#footnote-91) Senior political figures and chief executives from companies do not attend MSG meetings, despite being MSG members. The annual progress report highlights that MSG members are competent and able to fulfil their duties, although many have resorted to representation via proxy. [[91]](#footnote-92) However, MSG attendance by proxies is not clearly documented in MSG meeting minutes, which do not differentiate between attendance by proxy or by the MSG member.

The MSG’s Internal Rules highlight that proxies should not be used and that members with a consecutive absence of four meetings must be replaced by their institution. Analysis of MSG attendance reveals that 23 of the MSG members should have been replaced based on this rule, although this does not appear to have taken place to date.

*National secretariat*: Neither the MoU nor the Internal Rules clarify the relationship of the secretariat relative to the MSG. In addition, the national secretariat was described as lacking capacity as funding is scarce and lack of staff. So far, there are four fulltime staff of the SLEITI Secretariat, excluding a vacant position for the Research and Technical Analyst listed in the MoU and Internal Rules.[[92]](#footnote-93)

#### Stakeholder views

When asked how representation on the MSG was decided, neither civil society nor industry constituencies were able to provide evidence of a consistent process. Certain industry members even implied that they were unaware of any consultations with the wider constituency or any nominations procedure. Members of the MSG reported that they were effectively “told so” by colleagues.

Apart from industry representatives off the MSG – who did not express an opinion – and civil society representatives on the MSG, stakeholders from all constituencies expressed concern that civil society representation had not changed since the formation of the MSG. These same representatives have breached the internal rules of the MSG, which limits the length and number of tenures any person can have at the MSG. In fact, several civil society stakeholders who were not MSG members claimed that there was little to no coordination by MSG members toward the wider constituency (i.e. outside of NACE). They expressed a strong desire for better representation on the MSG, as they considered had been previously agreed by the MSG itself. MSG meeting minutes confirm the decision to renew the members.

Corroborating the above claims, several non-MSG civil society stakeholders noted that information-sharing related to MSG decisions and SLEITI products had been performed by the SLEITI Secretariat rather than by MSG members. Some industry representatives also indicated that active engagement was actively discouraged due to what they considered to be “disruptive” interventions by certain civil society MSG members. At times, particularly industry stakeholders went as far as claiming that there were no effective ways of providing valuable input to meetings as they never managed to maintain meaningful discussions.

The capacity of the MSG is generally seen as adequate, although certain CSO stakeholders highlighted a lack of fiscal understanding among their MSG representatives. Most of these same members also admitted a lack of full understanding specifically related to subnational payments and transfers. Most stakeholders also said that the national secretariat did not have sufficient capacity or funding to execute its technical functions. This lack of a technical capacity was noted by all constituencies, although none presented clear solutions to the issue besides citing increased funding. Members of Parliament also confirmed the need for additional resources to be allocated to support the secretariat.

Stakeholders claimed that delegation of MSG attendance to proxies caused challenges as some proxies do not have the authority to partake in decision making, and in some cases, proxies are not briefed in terms of content or process. Stakeholders from all constituencies confirmed that government representatives participated actively in the EITI process, albeit most often delegating MSG participation to proxies. Government and parliamentarians confirmed that parliamentarians were also part of the MSG, though participation in MSG meeting had been virtually non-existent.

Secretariat staff confirmed that there was no practice of paying per diems to MSG members. It was noted that some stakeholders who participated in outreach activities outside of the capital received a USD 12 compensation for transportation costs, but otherwise there was consensus among stakeholders that there was no compensation related to SLEITI MSG participation.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made inadequate progress towards meeting this requirement. There is a Memorandum of Understanding and the MSG recently reviewed and agreed its Internal Rules. However, evidence and stakeholder consultation indicate that neither are being strictly followed in practice. There is evidence that MSG members from all constituencies are generally engaged in the process, although several are represented at meetings through proxies. The statutory rules for the multi-stakeholder group’s membership are not clear and representatives from all wider constituencies expressed strong concerns about inadequate representation. This is particularly apparent for the civil society constituency, as civil society members of the MSG have still not refreshed since its formation in 2006-2007, in breach with the Internal Rules. In combination with stakeholder views of a deficient representation at the MSG of civil society, it is important to note that these deficiencies of civil society representation and formalisation are largely symptoms of the self-imposed restrictions and internal conflicts of the constituency (*see Requirement 1.3*).

There is no evidence of an open and transparent procedure for the nomination of representatives from any of the constituencies, although nominations of government MSG members appears to follow statutory government procedures. In addition, the industry constituency have not yet been sufficiently formalised as the Chamber of Mines remains inactive, which hampers SLEITI’s ability to inform the wider constituency.

In accordance with Requirement 1.4, the MSG should ensure its updated MoU and Internal Rules *clearly* cover all provisions of Requirement 1.4.b and that any deviations from these rules in practice are publicly noted and addressed. Civil society and industry constituencies should formalise channels for wider constituency engagement, including by developing, agreeing and publishing procedures for nominating and changing MSG representatives in an open and transparent manner. The MSG is also encouraged to consider keeping public attendance records and publishing MSG minutes online, to ensure greater transparency of the MSG’s discussions and decisions.

### Work plan (#1.5)

#### Documentation of progress

*Publicly accessible workplan*: Before 2018, a three-year workplan was developed and updated in consultation with SLEITI stakeholders each year. Consultations include MSG members and stakeholders from the broader constituencies. However, the most recent workplan is the SLEITI Workplan 2017-2019[[93]](#footnote-94) which was approved by the MSG in June 2017 and is publicly accessible on the SLEITI website.[[94]](#footnote-95) No prior or later workplans are made available on the SLEITI website. The 2017 annual progress report also describes the workplan as a revised version of the 2016-2018 workplan. Although MSG meeting minutes mention a 2018 work plan[[95]](#footnote-96), no such document was publicly available nor provided by the SLEITI Secretariat or other stakeholders. There is no evidence in MSG meeting minutes of the MSG’s approval of updated versions of the workplan. There was thus no documentation of any consultations on the workplan’s development with stakeholders aside from executive government officials and development partners in 2017.[[96]](#footnote-97)

*Objective for implementation*: The overall goal of the 2017-2019 Workplan is improved extractives governance in Sierra Leone. The overall goal is described as “increase revenue transparency to enhance development for improved standards of living”. To achieve this goal and overall objective, six strategic objectives have been formulated, each linked with a desired outcome[[97]](#footnote-98) and costed activities to achieve them.

The 2017 annual progress report claims that the objectives are aligned with national priorities[[98]](#footnote-99), especially those of the new government since 2018. In the ruling Sierra Leone People’s Party 2018 Manifesto[[99]](#footnote-100), ensuring compliance with the EITI Standard is explicitly mentioned. Additionally, several of the priorities mentioned under the heading “political and economic management of natural resources” are aligned or identical to those highlighted in the workplan.

*Measurable, time-bound activities*: The 2017-2019 workplan includes activities that are both measurable, costed, and time-bound. The activities are also connected to specific agencies of responsibilities, although these are often several with no clear delineation of which agency is leading the implementation.

*Capacity constraints*: There are several activities related to both identifying and mitigating capacity constraints. The fifth strategic objective is solely the enhancements of SLEITI’s capacity to achieve its goals and ambitions. It includes activities such as the restructuring and refreshment of the MSG, developing more formalised manuals for administration and management of SLEITI, increasing staff, as well as other activities designed to ensure SLEITI can function efficiently. As noted in the 2017 annual progress report[[100]](#footnote-101) however, several of these activities were not fully completed.

*Scope of EITI reporting*: The third strategic objective is to extend the scope of SLEITI reporting. However, this section includes activities which aim at including additional sectors, namely forestry and fisheries, not to extend the scope to address additional issues such as revenue management and expenditures or ad-hoc subnational transfers. The workplan contained activities to enable project-level reporting and beneficial ownership disclosures by undertaking a review on BO disclosures and identifying possibilities for project-level reporting under the NRA.

*Legal or regulatory obstacles identified*: The 2017-2019 workplan included activities to assess whether key institutions were able to disclose information on beneficial ownership, including any legal and regulatory barriers. The study, which identifies the lack of legal documents *mandating* disclosures, did not find significant barriers either. However, these results were reportedly completed in 2017 but published on SLEITI’s website after commencement of Validation on 31 October 2018[[101]](#footnote-102), and not mentioned in the workplan. The workplan does not otherwise mention legal barriers, even though there are certain legal barriers to revenue disclosures, as the NRA are mandated to protect taxpayer confidentiality which they interpret as non-disclosure of taxes, even when confronted with the existing EITI disclosures.[[102]](#footnote-103) This still has not materialised as a barrier to reporting so far under SLEITI.

*Implementing EITI recommendations*: The SLEITI workplan identifies the annual progress report as the main instrument through which SLEITI comments on how recommendations from Validation and EITI reporting are addressed. Otherwise, it does not contain an assessment of SLEITI’s progress towards EITI requirements, nor recommendations arising from EITI Reporting.

*Costings and funding sources*: The workplan is costed, with budget estimates considered for each individual activity, although the source of funding is not identified in the document. Three separate columns have been made available for distinguishing between funds made available by the government, development partners, and companies. However, none of these columns are filled in. According to the APR, the government funded more than 80% of SLEITI’s operational budget and salaries (see Requirement 1.1 for more information). Still, as SLEITI was not able to attract sufficient funds to fully implement all the planned 2018 activities, several envisaged activities for 2016 were transferred to 2017.[[103]](#footnote-104)

Figure 4: Key figures, SLEITI Financial reports 2014-2017

*Source: SLEITI APRs and Bank of Sierra Leone,* [*http://sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports*](http://sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports) *&* [*https://www.bsl.gov.sl/WAMZ\_Exchange\_Rates.html*](https://www.bsl.gov.sl/WAMZ_Exchange_Rates.html)

However, when reviewing the financial reports in the annual progress reports, it seems that incomes and expenditures (including salaries), have remained relatively stable. In fact, expenditures have seemed to *increase* while income levels have remained similar as allocated in 2014, ahead of the Ebola and commodity price crises. Still, this may have been related to the worsening exchange rate of the SLL to the USD (see Figure 4 above).

#### Stakeholder views

Some representatives from civil society and industry on the MSG said that they had reviewed and approved the 2017-2019 workplan but could not confirm if it had been reviewed in 2018. Stakeholders welcomed the many activities related to the data collection process and capacity building. No stakeholder outside the MSG said that they had ever seen the SLEITI workplan. Neither secretariat staff nor stakeholders in the different constituencies provided evidence that an updated workplan (subsequent to 2017-2019) had been made accessible to the public.

Funding was raised by several stakeholders from government and civil society as a constraint on EITI implementation. They noted that several activities, workshops and events had not yet taken place due to funding challenges . However, some stakeholders also indicated that they had also been largely successful in drawing on other organisations with access to funds, using collaborations to cover expenses.

According to stakeholders, much of the challenges in funding stems from the dual challenge of Sierra Leone starting in 2014, when the Ebola outbreak began, just some months ahead of the commodity price slump later that year. Companies largely abandoned their activities and operations in the country, and what funds were left in circulation was largely re-allocated towards efforts mitigating the effects of the viral outbreak. This also left GoSL with limited options in terms of funding allocations.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made meaningful progress towards meeting this requirement. Although the 2017-2019 workplan was costed and readily available on SLEITI’s homepage, there was no evidence of the MSG approving a new workplan for 2018 onwards, even after the start of Sierra Leone’s Validation. The 2017-2019 workplan has not updated the objectives for EITI implementation, which have remained the same since approved through the 2016-2019 workplan. The workplan also does not contain commentary on how to overcome legal or regulatory barriers to reported, nor on how SLEITI intends to address recommendations from EITI Reporting. As a result, the workplan maintains the same structure and objectives as agreed immediately after the introduction of the EITI Standard 2016. Additionally, MSG meeting minutes and a review of the various annual progress reports since 2014 provides evidence that the MSG and secretariat uses annual progress reports to a greater extent as a monitoring tool for EITI implementation, by including aspects of addressing recommendations from EITI reporting. However, there is only limited evidence that the workplan and annual progress report are shared widely beyond representatives on the MSG.

In accordance with Requirement 1.5, Sierra Leone must ensure that its EITI workplan is updated annually and may wish to employ the most recent guidance to ensure recent developments and all required aspects are incorporated. In doing so, the MSG must consult a wide range of stakeholders, including those not directly represented at the MSG.

Table 1: Summary initial assessment table: MSG oversight

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | International Secretariat’s initial assessment of progress with the EITI provisions |
| Government oversight of the EITI process (#1.1) | The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. In recent years, government engagement in Sierra Leone has faced several challenges linked to specific crises such as the outbreak of the Ebola virus. During the 2014-2018 period, there was sporadic and ineffective government engagement in EITI, with often-changing leads and focal points. However, these challenges seem to have been resolved with a restructuring of government leadership of EITI subsequent to the new government’s election in March 2018. The new government has responded by escalating senior government leadership of EITI to higher levels of government and enhancing its direct engagement with the MSG and national secretariat. The government also funds a majority of SLEITI implementation, despite the sector contributing less than 5% to government revenues. | Satisfactory progress |
| Company engagement (#1.2) | Companies are not fully and effectively engaged in the EITI process. Formally, there are no barriers for companies to fully and actively engage in the EITI process, but there appears to be a lack of induction and knowledge of companies represented at the MSG regarding the intended scope of this platform. There appears to be no forum, either formal or ad hoc, through which industry can coordinate its activities as a constituency, given that the Chamber of Mines does not appear to be operational. Some industry MSG members have agreed to MSG decisions that they subsequently did not comply with. | Meaningful progress |
| Civil society engagement (#1.3) | There is clear evidence that CSOs freely express their views without coercion, are free and able to closely operate, communicate and assemble in relation to EITI implementation, and are able to be fully, actively engaged in the design, implementation and evaluation of the EITI process. The main barrier for access to the MSG appears to be due to issues of internal coordination. No evidence has been provided, including any anecdotal evidence from stakeholders, of civil society representatives on the MSG coordinating under or beyond MSG organisations. This results in insufficient outreach and consultations with wider civil society stakeholders, creating a disconnect between the broader constituency’s demands and EITI implementation. | Meaningful progress |
| MSG governance and functioning (#1.4) | There is a Memorandum of Understanding and the MSG recently reviewed and agreed its Internal Rules. However, evidence and stakeholder consultation indicate that neither are being strictly followed in practice. There is evidence that MSG members from all constituencies are generally engaged in the process, although several are represented at meetings through proxies. The statutory rules for the multi-stakeholder group’s membership are not clear and representatives from all wider constituencies expressed strong concerns about inadequate representation. This is particularly apparent for the civil society constituency, as civil society members of the MSG have still not refreshed since its formation in 2006-2007, in breach with the Internal Rules. There is no evidence of an open and transparent procedure for the nomination of representatives from any of the constituencies. In addition, the industry constituency have not yet been sufficiently formalised as the Chamber of Mines remains inactive, which hampers SLEITI’s ability to inform the wider constituency. | Inadequate progress |
| Work plan (#1.5) | Although the 2017-2019 workplan was costed and readily available on SLEITI’s homepage, there was no evidence of the MSG approving a new workplan for 2018 onwards, even after the start of Sierra Leone’s Validation. The 2017-2019 workplan has not updated the objectives of the MSG, which have remained the same since approved through the 2016-2019 workplan. As a result, the workplan maintains the same structure and objectives as agreed immediately after the introduction of the EITI Standard 2016 and might not have sufficiently adopted all aspects of EITI Requirements.  Additionally, MSG meeting minutes and a review of the various APRs since 2014 provides evidence that the MSG and SLEITI does use both workplans and APRs as planning and monitoring tools for EITI implementation. However, there is limited evidence that the workplan and APR are indeed shared widely and beyond the representatives of the MSG. | Meaningful progress |
| **Secretariat’s corrective actions:**   1. In accordance with **Requirement 1.2**, the industry constituency is required to ensure both MSG representatives and the broader constituency is fully, actively and effectively engaged in all aspects of EITI implementation. To galvanise industry's attention, the constituency could further formalise its consultative framework through revitalising the Chamber of Mines, by ensuring EITI implementation objectives are consistent with priorities of the industry constituency, and by ensuring concerns of the industry are adequately reflected at the MSG and in EITI reporting. 2. In accordance with **Requirement 1.3.a**, all interested civil society stakeholders must be able to fully, actively and effectively engage in the EITI process. The constituency may wish to formalise further the constituency’s engagement in the EITI process, to strengthen coordination between MSG members and the broader constituency. The constituency is also encouraged to ensure that all agreed policies, rules and documents are publicised online and regularly shared with the wider constituency. They may wish to ensure communication channels are formalised and regularly monitored and refreshed. 3. In accordance with **Requirement 1.4**, the MSG should ensure its updated MoU and Internal Rules *clearly* cover all provisions of Requirement 1.4.b and that any deviations from these rules in practice are publicly noted and addressed. Civil society and industry constituencies should formalise channels for wider constituency engagement, including by developing, agreeing and publishing procedures for nominating and changing MSG representatives in an open and transparent manner. The MSG is also encouraged to consider keeping public attendance records and publishing MSG minutes online, to ensure greater transparency of the MSG’s discussions and decisions. 4. In accordance with **Requirement 1.5**, Sierra Leone must ensure that its EITI workplan is updated annually and may wish to employ the most recent guidance to ensure recent developments and all required aspects are incorporated. In doing so, the MSG must consult a wide range of stakeholders, including those not directly represented at the MSG.   **Secretariat’s strategic recommendations:**   1. To further strengthen implementation, the government may wish to ensure that its operational engagement in all aspects of EITI implementation is consistent and commensurate with the high-level political backing of EITI in Sierra Leone. 2. SLEITI Secretariat is encouraged to ensure that all agreed policies, rules and documents are publicised and regularly shared with the wider constituency. They may wish to ensure regular communication channels are formalised and regularly monitored and refreshed. 3. The MSG should also consider keeping public attendance records and publishing MSG minutes online, to ensure greater transparency of the MSG’s discussions and decisions. | | |

# Part II – EITI Disclosures

2. Award of contracts and licenses

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state participation.

### Legal framework (#2.1)

#### Documentation of progress

*Legal framework*: The 2016 EITI Report includes hyperlinks to an online repository for all legal documents and acts in Sierra Leone. The repository appears up to date as it contains Sierra Leone’s newly-enacted Extractive Industries Revenue Act 2018.[[104]](#footnote-105) In addition table 3.1 provides a list of laws and regulations which govern the mining sector (with brief descriptions), which are referenced from the provided links.

The legal and institutional framework for the mining sector is presented in section 3 (p.8).This section notes that the main legislation governing the mining sector is the Mineral and Mines Act 2009 (MMA) and its amendments.[[105]](#footnote-106) In addition, the NMA and Ministry of Mines and Mineral Resources (MMMR) provides relevant laws and regulations on their own websites.[[106]](#footnote-107),[[107]](#footnote-108) The legal and fiscal regime for oil and gas is covered on Section 3.2 (pp.13-16). The main legislation governing petroleum exploration and production activity is described as the Petroleum Act 2011 (E&P Act), although the report fails to mention that it was amended in 2014[[108]](#footnote-109) in combination with enactment of The Petroleum Regulatory Act 2014.[[109]](#footnote-110) All relevant legislation and regulations are available on the PD’s website[[110]](#footnote-111), which covers more information than the report that does not mention the Sierra Leone Local Content Agency Act 2016, also relevant for the petroleum sector.[[111]](#footnote-112)

*Government agencies’ roles*: The roles of different government agencies are presented in the report (pp.11-12). Most government agencies and their roles are highlighted.[[112]](#footnote-113) In the petroleum sector there are only two relevant government agencies, both of whose roles are described (p.15).[[113]](#footnote-114) The report does not describe the role of the Local Content Agency, despite its establishment in 2016 and its referencing on the PD’s website.[[114]](#footnote-115)

*Fiscal regime*: Information on the mining sector’s fiscal regime is provided (p.9). The Mines and Minerals Act 2009 and Income Tax Act 2000 govern fiscal rates in the mining sector unless otherwise stipulated in special mining agreements. However, the Income Tax Act’s amendment in 2006 is not mentioned in the report.[[115]](#footnote-116) The main fiscal instrument of the mining sector is identified as mineral royalty, but all instruments are also described (pp.43-44).[[116]](#footnote-117) According to the report, royalties accounted for 74% of total revenues from Sierra Leone’s extractive sector in 2016 (p.63). Tables 3.2 (p.9) and 3.3 (p.10) details the amendments of mineral royalty rates and corporate tax rates through various acts.

Section 3.2.2 covers the general fiscal regime of the petroleum industry (pp.13-15) and table 3.4 provides a summary (p.14). The fiscal regime of the upstream oil and gas sector comprises of payment obligations imposed through concessions and production sharing agreements. The three key instruments of the petroleum fiscal regime are royalties, income tax and petroleum resource rent tax (PRRT). Other fiscal requirement such as training fees, capital gains tax and assignment fees are briefly described in section 3.2.3 (p.14). Although, the scoping study identifies additional revenue streams such as technology bonuses, signature bonuses and sale of geophysical data, all of which are not mentioned in the final report,[[117]](#footnote-118) These are relatively minor sector payments for the period under review, although signature bonuses could represent significant revenues in future bidding rounds.

*Degree of fiscal devolution*: The degree of fiscal devolution is described (p.13) for the mining sector. The level of fiscal devolution is only limited to mining companies and revenues, while there is no fiscal devolution for oil and gas companies (p.15).

*Reforms*: On-going reforms in the sectors are described (pp.12,15). Four reforms are discussed for the mining sector, while one is mentioned for oil and gas.[[118]](#footnote-119) The report only mentions the existence of these reforms and does not describe their contents.

The report does not deliberate on the contents of recent reforms in 2016 such as the Finance Act 2016 nor the Public Financial Management Act 2016 (p.8).[[119]](#footnote-120) While the contents of the former is implicitly covered through explanations of revised royalty and tax rates, the latter is merely listed as an applicable law that establishes two sovereign wealth funds: The Transformational Development Stabilization Fund and the Intergenerational Savings Fund. The report does not mention how these funds are associated with the extractive sector.

#### Stakeholder views

MSG members from all constituencies explained that the reforms and following up on recommendations from SLEITI Reports were a central focus of their deliberations. A civil society representative even identified this as the MSG’s main function, albeit noting that CSOs also provided inputs to reforms and amendments separately. Several government officials claimed that provisions of various current laws did not go far enough in transparency provisions, and therefore highlighted several government efforts with an increased focus on reforms. Some stakeholders off the MSG also mentioned reforms related to systematic disclosures of EITI data, with the new Extractive Industries Revenues Act 2018 (EIRA) obliging companies to publish their payments to government. No further comments from stakeholders were given regarding the EITI Report’s coverage of the legal framework and fiscal regime.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. The 2016 EITI Report describes and references most aspects of the legal framework and fiscal regime governing the mining and petroleum sectors. The report describes all of the key regulatory and executive government agencies with jurisdiction over the sector, including their roles and responsibilities. However, certain non-essential agencies and funds established during the fiscal year have not been described in detail. The degree of fiscal devolution is described in the report. The report considers developments of recent and potential reforms and their progress are described, and although the report does not fully delve into the contents or changes associated with the reforms. However, any gaps uncovered are minor and neither the agency nor current reforms were substantial for the sector during the period under review.

To strengthen EITI implementation, Sierra Leone may wish to ensure that all relevant government agencies’ roles in the sector, including non-essential ones. Sierra Leone is encouraged to ensure that comprehensive overviews and descriptions of the legal frameworks are systematically disclosed on relevant agencies’ websites and reviewed annually.

### License allocations (#2.2)

#### Documentation of progress

*Awards/transfers*: Chapter 3.3 (pp.16-29) of the 2016 EITI Report addresses license allocations for both mining and petroleum sectors. The report notes that most material mining companies in 2016 obtained their licenses prior to the period under review and were granted licences on a first-come, first-served basis. However, in table 3.8 (p.22), one license was awarded to a material company, Sierramin Bauxite Sierra Leone Limited (TIN 1057073-9) is listed as having their application APL-I-774 approved on 7 September 2018, receiving Mining lease ML 1/2016. The report explains that this the only awarded or transferred mining right in 2016 that involves a material company. Although the information for the specific license award does not contain all the necessary information as per EITI Requirement 2.2.a.i-iv., these are covered in general terms (see below). All license-related information is also covered by the mining cadastre system of Sierra Leone, MCAS and on NMA websites.[[120]](#footnote-121)

The report also describes 24 relinquished licenses, where six licenses involved retention of smaller license areas by companies (p.23, with details available in Appendix 1B (pp.98-99). The report identifies a single license transfer during the period under review, from Germinate Sierra Leone Limited to Meya Mining Limited (p.24). No further information is listed regarding the transfer, although neither of the two companies are material. The report still references the MCAS system, claiming it contains all the necessary information for Meya Mining Limited and their sole license; EL 7/2015.[[121]](#footnote-122) The entry does not contain any information regarding Germinate nor the transfer process, but the repository has registered payments from Meya for the precise license as far back as June 2015.

Section 3.3.2 covers awards of petroleum licenses (p.24). Oil block awards are described for the 2003, 2004 and 2012 bid rounds (pp.27-28). The report also indicates that there will be a proposed licensing round in 2018. The report confirms the lack of license awards in the period under review, but the report highlights and lists five oil blocks that were revoked in 2018 (p.26). The report clarifies that no licenses were awarded, transferred or amended during the period under review. However, one block was *in the process* of being amended: Block SL-4A-10, held by African Petroleum[[122]](#footnote-123), had signed an agreement to extend their license modify the work program, but the agreement had not been ratified as of the end of 2016 (p.26).

*Award/transfer process*: Information about the process for awarding mining licenses is provided in section 3.3.1 (p.16). Table 3.5 (p.17) describes four types of licenses issued in Sierra Leone. They are reconnaissance licenses, exploration licenses, and small-/large-scale mining licenses. The licensing process is on a first-come-first-served basis, where companies must pass through three stages; application stage, validation stage and approval stage. The steps for each category are explained, as procedures are general and based on the information already provided by the NMA on their website.[[123]](#footnote-124) Artisanal mining licenses are mentioned but the award process is not sufficiently covered in the report (p.6-7,41,75). The International Secretariat has confirmed that the process and applications are different, as per the forms and guidelines disclosed by the MMMR.[[124]](#footnote-125)

The report notes that the MCAS does not contain process-related information for license transfers. The license transfer procedures for large-scale mining licenses are described in the report (pp.23-24), referencing section 119 of the MMA. A similar procedure to original license award process is used, except the transferee must additionally take on all liabilities and obligations held by the previous rights holder.

As there were no awards of petroleum rights during the period under review, a description of the procedures is not required by the EITI Standard. Still, details outlining the process, a tendering system, are outlined in the report (pp.25-26). It contains the details for transferring ownership or assigning operations to third parties, both of which require ministerial approval.

*Technical and financial criteria*: The report describes certain technical and financial criteria used for 2016 license awards in the mining sector (pp.17-19), forming the guidelines for the Minerals Advisory Board’s assessment. Technical criteria seem to be limited to comprehensiveness of the applications’ forms and attachments, and all these documents are listed in the report. No specific methodology for scoring/weighting criteria seems to exist, and the report is not sufficiently clear whether the criteria or methodology is statutory or merely reflecting practice. Financial criteria are more strictly codified in law but limited to covering minimum expenditures (p.18).

The transfer process for petroleum licenses is also subject to ministerial approval. Consent is dependent on “certain predetermined criteria”, which also assesses the capability of incoming participants (p.26). The report does not further describe these criteria, except how technical and financial criteria were *used* for the 2012 licensing rounds (p.28). Again, technical criteria are better documented, while financial capabilities are more stringently codified. However, it is still not clear how the criteria used compares to the statutory requirements. Appendix 2 details further the evaluation methodology, which also includes how each category is weighed (pp.100-101), although details of how these scores are estimated is not described.

*License awardee information*: A summary of license applications made during the period under review are listed in table 3.6 (p.21), 25 in total (details available in Appendix 1A, pp.86-97). Of the 25, 14 licenses were granted. As previously mentioned, one of these were made to a material company, Sierramin Bauxite Sierra Leone Limited, for ML 1/2016.[[125]](#footnote-126) Table 3.7 lists all applications, application codes, the name of the applicant, status of the application as well as application dates (pp.21-22).

The report confirms that no petroleum rights were awarded in the year under review.

*Non-trivial deviations*: The report highlights a deviation from the applicable legal and regulatory framework. It notes CSOs’ claims that the licensing process lacks public oversight and that civil society was not represented on the Minerals Advisory Board, contrary to statutory obligations (p.20).[[126]](#footnote-127) There is no further deliberation on the significance of these deviations nor how government or CSOs are planning to address the deviations, nor have any discussions on awards or deviations been located in MSG meeting minutes.

*Comprehensiveness*: Details on mining awards and transfers does not include prior years, except in terms of procedures as these are general. Still, some data on transfers can be analysed through available information on Sierra Leone’s MCAS system, such as linking applications to licenses.[[127]](#footnote-128) However, tracking changes in ownership is challenging as historical information and procedural aspects are not covered.

*Bidding process*: According to the report, there were no bidding or tendering processes during the period under review. As previously mentioned, the report does not mention that the fourth licensing round of Sierra Leone commenced on 25 January 2018 and was scheduled to close on 27 September 2018.[[128]](#footnote-129) However, the round was suspended in August 2018, pending industry consultations.[[129]](#footnote-130) Still, the report provides some information on past bidding rounds prior to the year under review, including statutory bid procedures.

*Commentary on efficiency*: The report does not comment on efficiency beyond claiming the system is “quite transparent and efficient” (p.20), without justification for this assessment. However, this conclusion contradicts CSOs’ views related in the report that there is a lack of participation in the Minerals Advisory Board. For the petroleum sector there is a commentary claiming that the process is inclusive but lacks the necessary expertise among stakeholders (p.28).

#### Stakeholder views

According to the IA, the method for assessing minerals license award to Sierramin Bauxite Limited was made through MSG confirmation that the award followed statutory procedures. There is no evidence that the IA took any additional steps to ensure all statutory procedures were followed in practice.

Stakeholders from government and civil society confirmed the existence and composition of the Minerals Advisory Board. However, government officials contested the notion that CSOs were not included as members of the advisory board, although a precise list of participants could not be located. Civil society stakeholders were not aware of this finding of the report and did not seem concerned with the findings presented.

Stakeholders from all constituencies confirmed that the advisory boards’ recommendations could be disregarded by the Minister of Mines and Mineral Resources. Some stakeholders claimed this has occurred in the past, although no specific example was provided. Stakeholders from government expressed a desire for more precise methodologies in assessing license applications, including further due diligence of companies. This view was echoed by civil society representatives. This would essentially reduce the Minister’s authority to determine the precise criteria and methodologies used, while decisions of awards would be transferred to the Minerals Advisory Board’s. Certain company representatives presented similar views, noting that the licensing process had become more time-consuming in recent years. Still this development was considered a welcome change, due to lower long-term risks of license suspensions or cancellations, as statutory criteria are now followed more stringently by both companies and government officials. Stakeholders on the MSG also implied that the NMA was currently moving to integrate disclosures of licensing *procedures* into the MCAS registry, to ensure that all aspects of licensing were sufficiently covered by the mining cadastre.

Some stakeholders highlighted certain issues of interpretation of existing legislation. According to codified procedures, no small- or large-scale mining license can be awarded without an environmental impact assessment license[[130]](#footnote-131), which is awarded by the EPA. However, government officials were concerned that this requirement is limited to mining operations, not covering exploration licenses.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone made meaningful progress towards meeting this requirement. The 2016 EITI Report adequately describes the license awards and transfers that took place in Sierra Leone in 2016. License allocations are made at the discretion of the Minister of Mines and Mineral Resources, although an assessment is provided by a Minerals Advisory Board. It is not sufficiently clear whether the technical and financial criteria assessed by the board, i.e. methodology associated with assessments of license applications, are statutory according to regulations or laws. The report does not sufficiently document the method used for assessing deviations from license awards procedures, without clarifying the non-participation of CSOs at the Minerals Advisory Board for instance. However, anecdotal evidence suggests the Independent Administrator asked for confirmation from the MSG. The report does not cover the award or transfer processes associated with artisanal mining licenses, although documentation confirms there are separate guidelines and application processes. As there were no awards or transfers of petroleum rights during the period under review, a description of the procedures is not strictly required.

In accordance with Requirement 2.2, Sierra Leone should publicly disclose the procedures for awarding and transferring all extractives licenses, including specific technical and financial criteria and any non-trivial deviations from the applicable legal and regulatory framework. To strengthen implementation, the National Minerals Agency is encouraged to systematically disclose information per Requirement 2.2, potentially through the Mining Cadastre Administration System.

### License registers (#2.3)

#### Documentation of progress

*Licenses held by material companies*: As there were no material oil and gas companies during the period under review, this requirement is not applicable to petroleum licenses. Nonetheless, the report does highlight that an oil and gas register is accessible in person upon request at the Office of the Administrator and Registrar General. The report also notes that efforts to establish an online petroleum registry are underway (p.25). Licenses held by material and non-material mining companies, except for artisanal mining licenses, are covered by the publicly-accessible MCAS. Table 3.8 of the 2016 Report (p.22) lists all granted applications in 2016 and includes associated license codes, dates of award and expiry, area coverage in km2, the tax ID number of the companies and the type of licenses. No coordinates are presented, although these are available through the license registry as described below.

*License cadastre*: There is limited licence information covered in the *report* for material mining companies, instead it refers to the mining registry and its accessibility online.[[131]](#footnote-132) Still, table 3.8 provides information about the licenses held by non-material mining companies that were granted in 2016 (p.22)**.** There is also a cadastral map available on the Petroleum Directorate’s website.[[132]](#footnote-133) The interactive map contains geographic information system (GIS) data presents active contract areas, including additional layers such as seismic data, location of wells and 4th round licensing areas. For the two active contract areas (SL-03 and SL-4-A-10), the map provides data on the concession name, type, year of award, name of operating company and the area covered in km2.

The register contained 2,873 license entries and 598 license applications associated with 2,494 companies or individuals, at the start of Validation.[[133]](#footnote-134) Of these only 356 licenses were active, most of which are exploration licenses and licenses for mineral dealers and exporters. There is no indication that would lead us to believe that the list is not comprehensive, and the registry should therefore encompass all licenses held by companies operating in Sierra Leone, except for artisanal mining licenses.

The searchable register, for each material company, lists information on all active licenses, including the license codes, dates of application, award and expiry, commodities covered, and coordinates. The registry also contains a map of the area covered by each license, with coordinates at a scale of 1:50,000, and lists all non-tax payments associated with each license.[[134]](#footnote-135) Based on a sample of the three largest revenue-contributors[[135]](#footnote-136), we could not locate any gaps in any of the required information. For some licenses, the register also includes contractual terms.

#### Stakeholder views

Government officials and other stakeholders highlighted the significant progress made by the NMA, which was established in 2012.[[136]](#footnote-137) In a relatively short time, stakeholders had gained much confidence in the comprehensiveness of disclosures by the NMA through the MCAS.

Government representatives also highlighted a forthcoming Environmental Protection License registry, the ‘ECAS’, which was currently in development. These stakeholders confirmed this new register would use the same service provider as the MCAS system, which increased the importance of ensuring both platforms could communicate with one another while maintaining the operational usefulness for both agencies.

#### Initial assessment

TheInternational Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress towards meeting this requirement. Through a comprehensive license registry accessible online, mining licenses of all material and non-material companies are accessible, although the register does not cover artisanal mining licenses. Based on a review of a sample of entries, all required information is described in the registry. No petroleum companies were material, but a pilot cadastre is available through the Petroleum Directorate’s website. However, this online cadastre does not yet contain all information required by Requirement 2.3.b.

To strengthen implementation, Sierra Leone is encouraged to work with the Petroleum Directorate to ensure that the systematic disclosures of petroleum rights covered by their data portal provide all information listed under Requirement 2.3.b.

### Contract disclosures (#2.4)

#### Documentation of progress

*Government policy*: Sierra Leone does not have a policy on contract disclosure in either mining or oil and gas (p.31). However, the report does document provisions in existing legislation such as the Mines and Minerals Act 2009, Right to Information Act 2013 and the Petroleum (Exploration and Production) Act 2011 which contain enabling language, but do not constitute an explicit contract disclosure policy. For example, the Mines and Minerals Act 2009 section 49, clarifies that all mineral rights registers, the rights and applications, and non-confidential agreements and documents are open for public inspection.[[137]](#footnote-138) In addition, the current ruling party’s manifesto from February 2018 includes their ambition to publish all mining contracts and refers to the current draft Minerals Policy as the instrument through which Sierra Leone’s policy is clarified.

*Actual practice*: According to the report, the above provisions in legislation have enabled government entities to disclose large-scale mining contracts or make the information available upon request. The Administrator and Registrar General is identified as maintaining petroleum contracts and licenses that will be provided electronically in the future, while the NMA have made 13 concessions, environmental impact assessments and amendments available on their website (p.31-32), and by using the Resource Contracts portal of Natural Resource Governance Institute (NRGI).[[138]](#footnote-139),[[139]](#footnote-140)

Additionally, the MMMR publishes contracts in full for large-scale mining agreements on their website.[[140]](#footnote-141) These are summarised in the 2016 Report (pp.30-31).[[141]](#footnote-142) Lastly, the license registry includes the main contractual terms such as fiscal instruments and rates, including any tax allowances or exemptions, including debt-to-equity. However, several of the above concessions have been transferred to new mineral rights holders and the report does not deliberate on which current companies are associated with the various concessions.

*Accessibility*: The contractual terms for mining operations in Sierra Leone are accessible online, while petroleum contracts and terms are accessible through requests towards the Administrator and Registrar General (p.30-32).

#### Stakeholder views

SLEITI was described by several stakeholders as a catalyst for the online publication of all mining contracts, and for leading the move towards beneficial ownership disclosure. According to government stakeholders, agreements outside the ones described above, such as Community Development Agreements (CDA), were also in the process of being published. They noted that all eligible companies had now signed CDAs, and the NMA was currently in the process of uploading these on its website. The same was being considered for surface rental agreements, which were currently not yet centrally managed nor publicly available. Several members of civil society confirmed this.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress towards meeting this requirement. Despite not having a single universal government policy on contract disclosure in Sierra Leone, the interpretation of relevant government agencies is towards transparency due to enabling provisions in sector-specific legislation. In addition, the current government’s manifesto includes provisions demanding publication of mining contracts, which is included in the draft Minerals Policy. Currently, six concession agreements are publicly accessible, as are their respective environmental impact assessments. The remaining agreements may be associated with some material companies in the 2016 Report, but the report does not clarify which agreements have been transferred to current companies. There are also on-going efforts to publish additional agreements, such as community development agreements.

To strengthen implementation and the sustainability of contract disclosures in Sierra Leone, the government is encouraged to formulate and clarify a concrete policy towards contract disclosure for both mining and petroleum companies, widely open to the public. In addition, the Sierra Leone may wish to ensure that the practice of contract disclosure is in line with its formalised policy, including publication of the latest versions of extractives contracts and amendments.

### Beneficial ownership disclosure (#2.5)

#### Documentation of progress

*Government policy*: The 2016 EITI Report provides some information on the beneficial ownership (BO) of material companies. The report explains that Sierra Leone has no legal provisions for BO disclosure and therefore companies will have to be *encouraged* to report. The report also mentions a study undertaken to review the legal and institutional framework to enable BO reporting (p.142). Beneficial ownership is also a priority of the current government, as evident by the commitments made by President Julius Maada Bio at his opening address of the Africa EITI Conference on Beneficial Ownership Transparency in Dakar, after the start of Validation in November 2018.[[142]](#footnote-143),[[143]](#footnote-144)

Beneficial ownership disclosures by SLEITI are c­overed on pages 32-33 and appendix 9 (pp.130-132). The section briefly summarises the existence of SLEITI’s Beneficial Ownership Roadmap[[144]](#footnote-145), but does not deliberate further on its contents. The report also mentions a Beneficial Ownership Disclosure Report published in August 2017, which reviewed the legal framework and institutional capacity needs and concluding that an amendment to the Companies Act 2009 was needed to institutionalise BO disclosures.

In November 2017 the Corporate Affairs Commission (CAC) published a draft of the National Corporate Governance Code.[[145]](#footnote-146) It mandates several new practices such as incorporation of BO into companies’ annual filings with the CAC. However, there are also significant technical challenges as the CAC registry is not fully operational nor accessible online at the start of Validation, aside from basic searchability of names.[[146]](#footnote-147)

*Actual practice*: The report clarifies that there are no current BO disclosures made systematically in Sierra Leone, but the 2016 EITI Report includes a first attempt at disclosing such information for material companies on a voluntary basis. The report includes disclosure of legal owners, as well as beneficial owners for one company (Koidu Limited) in appendix 9 (p.130-132). The names and dates of birth are included for the company’s ultimate beneficial owners, including the explicit statement that none of them are politically exposed persons. But beneficial owners’ mode of control over the company is not clarified nor are the different shareholders’ indirect interests. Although the report only mentions Koidu Limited as disclosing their beneficial owners, the International Secretariat has obtained an overview indicating that more reporting templates on ownership were submitted by material companies, including Tonkolili Iron Ore, Sierra Minerals Holdings Limited, and African Railway and Port Services (SL) Limited.[[147]](#footnote-148),[[148]](#footnote-149) None of these reporting templates have been included in either the 2016 EITI Report nor published on SLEITI’s websites.

The disclosures in the report do not coincide with the data presented in the MCAS system, which includes a module on legal and beneficial ownership. The system appears to include information on managers and department heads of the company, but not on beneficial owners.[[149]](#footnote-150)

*Legal owners of material companies*: Annex 9 also lists the legal owner of Koidu Limited as a company registered in the British Virgin Islands, with 100% interest shares. The reporting template is attested by the Finance Manager of the company.

#### Stakeholder views

All stakeholders were aware of the President’s commitment through his opening remarks in Dakar. Government officials consulted revealed plans to connect the MCAS to a database called Open Corporate[[150]](#footnote-151), which may help to reveal ownership connection at international level. In addition, a government official identified filings 317-319 as instrumental for systematic disclosures, although these are not accessible online.

According to government representatives, BO provisions was currently planned for several amendments of legislation such as the Companies Act 2014[[151]](#footnote-152), potential reforms of the Mines and Minerals Act 2009[[152]](#footnote-153) and the National Minerals Agency Act 2012.[[153]](#footnote-154) These changes were expected to be part of the mandate created by the draft Minerals Policy 2018[[154]](#footnote-155), once accepted by Parliament. The policy also explicitly referenced beneficial ownership requirements of the EITI Standard according to several stakeholders .

A few government stakeholders noted that beneficial ownership disclosures were feasible for large-scale operations but considered this impractical for artisanal and small-scale mining (ASM). Reliable reporting was considered challenging due to the sheer number of operations and the diamond extraction and that precious dealers’ system is allegedly particularly opaque. However, the usefulness of BO disclosures was considered crucial, due to the disconnect between the miners and end-buyers, through diamond and precious stones dealers. All of these dealers are included in the MCAS registry.

Stakeholders from all constituencies highlighted that the definitions agreed by the SLEITI MSG had since informed other policies of BO definitions, including thresholds and identification of publicly exposed persons (PEPs). It was noted that regardless of the lack of recent BO disclosures, EITI reporting still provided some red flags in terms of companies and their operations, although these claims were not substantiated nor detailed. Company stakeholders did not object to the concept of disclosing beneficial owners to government but were concerned with clearly defining the specific information that would be publicly available. Several industry representatives noted concerns over privacy, which did not seem to have been discussed by the MSG.

#### Initial assessment

Implementing countries are not yet required to address beneficial ownership and progress with this requirement does not yet have any implications for a country’s EITI status. Although the Government of Sierra Leone does not yet have a policy in place for beneficial ownership disclosure, the commitments made by the current administration show promise for the future development of policies, laws and amendments related to beneficial ownership disclosure. SLEITI has made progress in disclosing the beneficial ownership of one company, Koidu Limited.

To strengthen implementation, it is recommended that Sierra Leone continues its efforts to progress on beneficial ownership disclosure. This may include a review of material companies’ disclosures of legal ownership through the MCAS system, as well as close collaboration on beneficial ownership with the Corporate Affairs Commission as outlined in the draft National Corporate Governance Code. In the interim, Sierra Leone may wish to task the SLEITI Secretariat with publishing all reporting templates by reporting entities in Sierra Leone on SLEITI’s website. This may ensure that comprehensive and underlying documentation of reporting is available for all companies and government agencies.

### State participation (#2.6)

#### Documentation of progress

In Sierra Leone, Mining and General Services Limited is the only state-owned enterprise engaged in the mining sector. Although the report does not indicate the percentage of ownership of the state, publicly-accessible General Purpose Financial Statements prepared by MoFED indicate the state holds a 51% interest in the company.[[155]](#footnote-156) However, the report confirms that its operations are limited to mid- and downstream mining operations, including transportation services (pp.33,50) and the report identifies that no material payments were made by the company. The report concludes that the company is not a state-owned enterprise (SOE) for EITI reporting purposes.

The report also briefly describes the arrangement of African Railway and Port Services (SL) Limited, a subsidiary of Shandon Steel Limited, where the government holds a 10% free carried interest (pp.33,50). The company’s payments to government in 2016 were provided in the report and deemed material, but due to the low equity share of the government the company was not considered as an SOE and reported as a regular company. Still, even though the African Railway and Port Services (SL) Limited was deemed a material company through scoping, no data was included in the 2016 EITI Report (*see Requirement 4.1*). The report also mentions plans to establish a SOE in the petroleum sector in future, although the interests held by GoSL in the sector were managed by the Petroleum Directorate in 2016 (p.33). Government accounts prepared by the MoFED confirmed that there was no SOE in the petroleum sector in the period under review.[[156]](#footnote-157)

However, one company’s relationship to the government is not explained in detail in the report. There is evidence of an arrangement for the government to hold an option to receive equity in a mining company, although this was not covered in the 2016 EITI Report presumably because that the option had expired without being exercised prior to the period under review. A 2015 EITI value chain analysis by Adam Smith International explains that the government had an arrangement with Sierra Rutile Limited for the company to provide equity to the government in exchange for Pay-As-You-Earn (PAYE) tax withheld on staff salaries but not remitted to the government.[[157]](#footnote-158) This arrangement was in place between 1 April 2005 and 31 December 2011 and GoSL was transferred 7085 shares (or 7.085%) in SRLin consideration for the PAYE taxes which would have been otherwise payable by SRL. The arrangement was terminated in 2012 and the Government’s Shares were repurchased by SRL for US$13m.[[158]](#footnote-161)

There is evidence of a loan from the government to this same mining company (Sierra Rutile Limited) that is not disclosed in the 2016 EITI Report. According to the 2016 EITI scoping study, the company settled EUR 22m to GoSL in repayment for a loan granted in 2004.[[159]](#footnote-162) Sierra Rutile Limited repaid an outstanding loan to the government in excess of EUR 22m, constituting a change in GoSL’s participation in the sector.[[160]](#footnote-163) Iluka Resources Limited, a company that merged with Sierra Rutile Limited in late 2016, explains in their filings with the Australian Securities Exchange (ASX) on 1 August 2016 that Sierra Rutile Limited had an agreement with GoSL for a monthly loan repayment schedule of EUR 1m commencing in December 2016, and a final instalment of EUR 660 000 due in November 2018.[[161]](#footnote-164) According to press reports, the amount was still outstanding as of the second quarter of 2016.[[162]](#footnote-165) According to news coverage at the time, the repayment of the loan was made in full sometime in November 2016.[[163]](#footnote-166),[[164]](#footnote-167),[[165]](#footnote-168) n This information has been confirmed by Sierra Rutile. None of this information is covered in any way in the 2016 EITI Report, which claims there were no government loans or loan guarantees to mining or petroleum companies, even though the loan was briefly mentioned in the 2015 EITI Report.[[166]](#footnote-171) Minutes of MSG meetings do not indicate any MSG deliberations over this loan, nor is there documentation of any discussion of the definition of SOEs for EITI reporting purposes.

#### Stakeholder views

None of the stakeholders identified Mining and General Services Limited as a SOE, suggesting that the requirement was not applicable to Sierra Leone in 2016.

Regarding Sierra Rutile Limited and the EUR 22m loan repayment, company and government stakeholders including the IA confirmed the existence of the loan and Sierra Rutile has confirmed its repayment in full in November 2016 prior to the acquisition by Sierra Rutile by Iluka Resources, a publicly listed company on the ASX on 7 December 2016. There was also US$8m paid to the government in capital gains tax in connection with the acquisition.[[167]](#footnote-172)

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone have made meaningful progress on this requirement. The report acknowledges the existence of one majority-state-owned company in mid- and down-stream mining sector but confirms that operations are not related to upstream activities. The report highlights that proceeds from the company are not material. However, there is no evidence, including in MSG meeting minutes or the scoping study for 2015-2016, that the MSG discussed the definition of SOEs or the applicability of this requirement. Despite the lack of state equity in upstream mining companies in 2016, publicly-accessible evidence and stakeholder consultations suggest that the Government of Sierra Leone received repayment of a loan from a material company, Sierra Rutile Limited, in November 2016. Although the 2015 EITI Report and the scoping study identify this loan repayment, the 2016 SLEITI Report does not, constituting a significant gap in the coverage of loans from the state to extractives companies.

In accordance with Requirement 2.6.b, Sierra Leone should ensure that where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these loans and guarantees are clarified, as well as any details on transactions related to them. Sierra Leone is urged to revisit such issues annually, to ensure comprehensive reporting of the state’s participation in the extractive sector.

Table 2: Summary initial assessment table: Award of contracts and licenses

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | International Secretariat’s initial assessment of progress with the EITI provisions |
| Legal framework (#2.1) | The 2016 EITI Report describes and references most aspects of the legal framework and fiscal regime governing the mining and petroleum sectors. The report considers developments of recent and potential reforms and their progress are described, and although the report does not fully delve into the contents or changes associated with the reforms. Any gaps uncovered are minor and neither the agency nor current reforms were substantial for the sector during the period under review. | Satisfactory progress |
| License allocations (#2.2) | The 2016 EITI Report adequately describes the license awards and transfers that took place in Sierra Leone in 2016. License allocations are made at the discretion of the Minister of Mines and Mineral Resources, although an assessment is provided by a Minerals Advisory Board. It is not sufficiently clear whether the technical and financial criteria assessed by the board are statutory according to regulations or laws. The report does not sufficiently document the method used for assessing deviations from license awards procedures. The report does not cover the award or transfer processes associated with artisanal mining licenses, although documentation confirms there are separate guidelines and application processes. | Meaningful progress |
| License registers (#2.3) | Through a comprehensive license registry accessible online, mining licenses of all material and non-material companies are accessible, although the register does not cover artisanal mining licenses. Based on a sample of entries all required information is described in the registry. A pilot cadastre is available through the Petroleum Directorate’s website although this online cadastre does not yet contain all information required by Requirement 2.3.b. | Satisfactory progress |
| Contract disclosures (#2.4) | Despite not having a general government policy on contract disclosure, the interpretation of relevant government agencies is towards transparency due to enabling provisions in sector-specific legislation. In addition, current reforms are underway demanding publication of mining contracts. Additionally, six concession agreements are publicly accessible, as are their respective environmental impact assessments. There are also on-going efforts to also publish additional agreements in the public domain. | Satisfactory progress |
| Beneficial ownership disclosure (#2.5) | Progress with this requirement does not yet have any implications for a country’s EITI status. Although the Government of Sierra Leone does not yet have a policy in place for beneficial ownership disclosure, the commitments made by the current administration show promise for the future development of policies, laws and amendments related to beneficial ownership disclosure. SLEITI has made progress in disclosing the beneficial ownership of one company, Koidu Limited. |  |
| State-participation (#2.6) | The report confirms that state participation is not related to upstream sector activities. However, there is no evidence that the MSG discussed definitions of SOEs or the applicability of this requirement. Evidence and stakeholder consultations suggest that the Government of Sierra Leone received repayment of a loan from a material company, Sierra Rutile Limited, in November 2016. Although the 2015 EITI Report and the scoping study identify this loan repayment, the 2016 SLEITI Report does not, constituting a significant gap in the coverage of state loans to extractives companies. | Meaningful progress |
| **Secretariat’s corrective actions:**   1. In accordance with **Requirement 2.2**, Sierra Leone should publicly disclose the procedures for awarding and transferring all extractives licenses, including specific technical and financial criteria and any non-trivial deviations from the applicable legal and regulatory framework. 2. In accordance with **Requirement 2.6.b**, Sierra Leone should ensure that where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these loans and guarantees are clarified, as well as any details on transactions related to them. Sierra Leone is urged to revisit such issues annually, to ensure comprehensive reporting of the state’s participation in the extractive sector.   **Secretariat’s strategic recommendations:**   1. To strengthen EITI implementation, Sierra Leone may wish to ensure that all relevant government agencies’ roles in the sector, including non-essential ones. Sierra Leone is encouraged to ensure that comprehensive overviews and descriptions of the legal frameworks are systematically disclosed on relevant agencies’ websites and reviewed annually. 2. To strengthen implementation, the National Minerals Agency is encouraged to systematically disclose information per Requirement 2.2, potentially through the Mining Cadastre Administration System. 3. To strengthen implementation, Sierra Leone is encouraged to work with the Petroleum Directorate to ensure that the systematic disclosures of petroleum rights covered by their data portal provide all information listed under Requirement 2.3.b. 4. To strengthen implementation and the sustainability of contract disclosures in Sierra Leone, the government is encouraged to formulate and clarify a concrete policy towards contract disclosure for both mining and petroleum companies, widely open to the public. In addition, the Sierra Leone may wish to ensure that the practice of contract disclosure is in line with its formalised policy, including publication of the latest versions of extractives contracts and amendments. 5. It is recommended that Sierra Leone continues its efforts to progress on beneficial ownership disclosure. This may include a review of material companies’ disclosures of legal ownership through the MCAS system, as well as close collaboration on beneficial ownership with the Corporate Affairs Commission as outlined in the draft National Corporate Governance Code. In the interim, Sierra Leone may wish to task the SLEITI Secretariat with publishing all reporting templates by reporting entities in Sierra Leone on SLEITI’s website. This may ensure that comprehensive and underlying documentation of reporting is available for all companies and government agencies. | | |

3. Monitoring and production

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

### Overview of the extractive sector, including exploration activities (#3.1)

#### Documentation of progress

*Exploration*: A general overview of the Sierra Leone’s geology and potential is provided through systematic disclosures on the MMMR’s portal[[168]](#footnote-176), the Geological Information Management System’s[[169]](#footnote-177) data catalogue. It aims at providing a single entry-point to interested parties, however no evidence was found of updates since its launch in 2016 and several of the services such as map downloads are restricted. The 2016 report mirrors this finding as it notes that the online version contains virtually no geological data (p.23). The report expands on exploration activities, distinguishing between different commodities (p.34). A summary of mining exploration for specific companies is also provided (pp.34-36). Section 2.1 of the report provides a more general overview of the mining sector, covering large-scale mining operations and ASM (p.7). Similarly, section 2.2. provides an overview of the petroleum sector, including exploration and discoveries, linking to relevant websites including historic information.

At the time of writing, although not noted in the EITI Report, the Petroleum Directorate’s online cadastre[[170]](#footnote-178) and interactive map contains some information regarding relevant contract areas for the 4th Licensing round and limited information of areas where 2-dimensional and 3-dimensional seismic data in are available from the directorate.

#### Stakeholder views

No stakeholders expressed any specific views on the 2016 EITI Report’s coverage of this requirement.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress towards meeting this requirement. The 2016 EITI Report provides a general overview of the country’s extractive industries, including significant exploration activities.

To strengthen implementation, the government is encouraged to maintain an updated overview of the petroleum sector and related reserves and activities of the sector. This would ideally also entail the exploration activities, including details on the most significant reserves and activities by petroleum companies.

### Production data (#3.2)

#### Documentation of progress

Table 4.1 of the 2016 EITI Report (p.36) provides production volumes and values in 2016, disaggregated by company, mineral type[[171]](#footnote-179), quantity, estimated production value, for eight mineral commodities produced that year. Information on artisanal-mined production is not provided in the report. However, this data is not available for gold, tantalum, zircon and diamonds from ASM activities. Data for previous years do not seem to imply that either gold, tantalum or zirconium are significant segments of the mining sector, but diamonds remain a significant contributor to mining production and has been linked to the country’s past conflicts. For commodities’ production values, these were calculated by the IA using sales value per unit of the commodity, i.e. based on export values divided by quantity (p.36).

Gold and tantalum are only listed as produced by ASM sector, with no production from large-scale mining operations. This implies that 100% of production data is missing for these commodities. In addition, there is lack of data for non-industrial zircon and diamond production. However, the Bank of Sierra Leone’s monthly reports for the economy seems to imply that production data is at least available for both diamonds and gold, which are included in all their monthly economic reviews.[[172]](#footnote-180) Total production volumes amount to 1,361 kg of gold (4,378.8 ounces), and 551,560 carats of diamond, which is much higher than reported in SLEITI reports. By this estimate, 44.9% of diamond production is not covered by EITI reporting, especially as this official data is not referenced. However, the report does identify that ASM is not monitored by the NMA and the IA was therefore unable to include such figures (p.36).

*Location*: Although the report does not explicitly identify the areas of production for the ASM sub-sector, it is possible to verify the location of production for the large-scale companies covered in table 4.1, by referring to the coordinates and location of their mining leases.

#### Stakeholder views

Government stakeholders from several agencies confirmed that there are significant challenges in monitoring and regulating the ASM sector, which is the sole contributor to gold production and exports and a large contributor to diamond exports. Sierra Leone’s previous EITI Reports have included this data due to specific economic bulletins that have since been discontinued by GoSL, although no clarification could be obtained from stakeholders over the reasons for the cessation of publication. Some stakeholders from government and civil society implied that these issues were mainly due to inadequate reporting by politically-appointed monitoring officials, and due to the opaque supply chains of ASM mines to market through dealers and exporters. Lastly, certain stakeholders not represented on the MSG indicated that production data was particularly important in Sierra Leone, given that export data reliability was not consistent with data from trading partners on imports *from* Sierra Leone.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made meaningful progress towards meeting this requirement. The 2016 EITI Report provides production volumes and values for mineral commodities produced by large scale mines in 2016. It is possible to estimate the location of large-scale mineral production via the license register and information in the report. However, production from artisanal and small-scale mining is not available, which the report explains is due to lack of data available from the regulator. However, official production data from the Bank of Sierra Leone does include such information in their estimates, suggesting that 100% of gold production and 44.9% of diamond production were not covered in EITI reporting of production data.

There is a case for assessing this provision as “satisfactory progress”. In other cases, the EITI Board has agreed that official government data is sufficient even in instances where there are significant concerns over its comprehensiveness and reliability. [[173]](#footnote-181) Comprehensive data was not provided in the EITI Report, and the reason for this is clearly described. However official government statistics do exist but are not referenced. Previous reports did include ASM production using this source. Given the backsliding in the coverage of these issues, the International Secretariat questions whether the overall objective of the requirement has not been met. Accordingly, the International Secretariat’s assessment is that Sierra Leone has made meaningful progress on the requirement.

In accordance with Requirement 3.2, the Government of Sierra Leone should ensure that *all* production volumes and values, including for the artisanal and small-scale mineral subsector, is publicly accessible and reported on. To enhance EITI implementation in Sierra Leone, SLEITI is encouraged to work closely with the National Minerals Agency to ensure the data is published online regularly by the regulators themselves. Alternatively, SLEITI should assist the National Minerals Agency to explore options for including ASM production data in the EITI reporting process as has been successfully achieved for ASM export data, described below.

### Export data (#3.3)

#### Documentation of progress

Export volumes and values are provided in table 4.1 of the 2016 EITI Report, disaggregated by commodity for both large-scale and ASM activities (p.36). Apart from ASM-related export, exports of each mineral commodity can be traced back to the location of origin using the same method as for production. In addition, table 4.2 aggregates all companies’ and subsectors’ export values, for each commodity (p.38).

#### Stakeholder views

Certain industry stakeholders noted ongoing challenges related to exports of precious stones, whereby the sign-off by the NMA’s Directorate of Precious Minerals Trading (formerly known as Government Gold and Diamonds Office) was required prior to export. The procedures involved valuation and certification of goods to be exported and was considered by industry stakeholders as a major time-consuming bottleneck. Precise procedures were listed on the Precious Minerals Trading website.[[174]](#footnote-182) A final signature was also required from the Minister of Mines and Mineral Resources, which was considered by several industry stakeholders as an additional barrier for exports.

As noted in relation to production data (*see Requirement 3.2*), certain stakeholders indicated that there were considerable concerns regarding the reliability of export data in Sierra Leone. This was due to trading partners’ data on imports from Sierra Leone being significantly higher than export data reported within Sierra Leone.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. The 2016 EITI Report provides export volumes and values for all mineral commodities exported in 2016, disaggregated by subsector, companies and commodities. It is possible to estimate the location of exports based on data provided.

To strengthen implementation, Sierra Leone is encouraged to ensure that export data (including volumes and values) is regularly published online for each mineral commodity exported in the year under review. Sierra Leone may wish to work with relevant government entities such as the NMA and Statistics Sierra Leone to ensure commodity classifications are used consistently to ensure comparability between NMA figures and data from other companies.

Table 3: Summary initial assessment table: Monitoring and production

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | International Secretariat’s initial assessment of progress with the EITI provisions |
| Overview of the extractive sector, including exploration activities (#3.1) | The 2016 EITI Report provides a general overview of the country’s extractive industries, including significant exploration activities. | Satisfactory progress |
| Production data (#3.2) | The 2016 EITI Report provides production volumes and values for mineral commodities produced large scale mining in 2016. It is possible to estimate the location of large-scale mineral production via the license register and information in the report. However, production from artisanal and small-scale mining is not available, which the report explains is due to lack of data from the regulator. However, official production data from the Bank of Sierra Leone does include such information, and this was cited in previous reports. Given the backsliding on comprehensive production data, the overall objective of the requirement has not been met. | Meaningful progress |
| Export data (#3.3) | The 2016 EITI Report provides export volumes and values for all mineral commodities exported in 2016, disaggregated by subsector, companies and commodities. It is possible to estimate the location of exports based on data provided. | Satisfactory progress |
| **Secretariat’s corrective actions:**   1. In accordance with **Requirement 3.2**, the Government of Sierra Leone should ensure that all production volumes and values, including for the ASM subsector, is publicly accessible and reported on. To enhance EITI implementation, SLEITI is encouraged to work closely with the National Minerals Agency to ensure the data is published online regularly by the regulators themselves. Alternatively, SLEITI should assist the National Minerals Agency to explore options for including ASM production data in the EITI reporting process as has been successfully achieved for ASM export data, described below.   **Secretariat’s strategic recommendations:**   1. To strengthen implementation of Requirement 3.1, the government is encouraged to maintain an updated overview of the petroleum sector and related reserves and activities of the sector. This would ideally also entail the exploration activities, including details on the most significant reserves and activities by petroleum companies. 2. To strengthen implementation of Requirement 3.3, Sierra Leone is encouraged to ensure that export data (including volumes and values) is regularly published online for each mineral commodity exported in the year under review. Sierra Leone may wish to work with relevant government entities such as the NMA and Statistics Sierra Leone to ensure commodity classifications are used consistently to ensure comparability between NMA figures and data from other companies. | | |

4. Revenue collection

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

### Materiality (#4.1)

#### Documentation of progress

*Materiality threshold for revenue streams*: The MSG determined that any revenue stream of less than 1% share of the total *considered* revenues (i.e. excluding revenues considered impositions on employees or contractors such as PAYE and withholding taxes) should be excluded from the scope, unless otherwise stated.[[175]](#footnote-183) On this basis, payments associated with diamond dealers’, gold dealers’ and gold exporters’ licenses were excluded, as were export duties on gold, ‘payments of 2.5% of consolidated revenue’, and the Government Gold and Diamond Office (GGDO, currently known as Precious Mineral Trading) valuations (p.45). PAYE and withholding taxes were considered indirect taxes, not payable by companies and therefore excluded from materiality considerations (p.39). Oil and gas revenues are listed under 5.1.2 (pp.43,45), and all revenue streams included in the scoping study are listed in table 5.2 (pp.43-44). The table also indicates whether the revenues were lodged in the single-treasury account or towards other beneficiaries. Since no petroleum revenues were received in the period under review, these were excluded from materiality considerations. In addition, certain revenues that contributed less than 1% of total government extractives revenues were added to the scope, such as surface rentals, agriculture development funds, community development funds and constituency development funds. The materiality decision implied a reconciliation coverage target of 96.9% of total government extractives revenues.[[176]](#footnote-184)

Capital gains taxes are merely mentioned in the report (pp.11,14) but not included in materiality calculations or reporting. Although excluded, no evidence is provided of the value of capital gains tax revenues in 2016 from either petroleum or mining. There is no evidence of any MSG decision, nor in the scoping study, to justify the exclusion of capital gains taxes from the scope of reconciliation in either 2015 or 2016. The *2015* EITI Report merely noted that several possible high-value mining transactions took place in 2015 and 2016 that could result in significant capital gains tax revenue.[[177]](#footnote-185) In addition, a press release published after the commencement of Validation, noted that one of the main findings of the 2015 EITI Report was that high-value mining deals should be assessed for potential capital gains taxes, but none was mentioned in relation to the acquisition of Sierra Rutile Limited by Iluka Resources Limited in 2016. (However note the comments in relation to capital gains tax on page 56).

*Descriptions of material revenue streams*: All material revenue streams are described in table 5.1 (p.41-42). Non-material revenue streams that were not reconciled are not described in detail.

*Materiality threshold for companies*: The materiality threshold for selecting companies for reconciliation was set at USD 170 000 (p.46). The rationale set out in the scoping study and meeting minutes is that the threshold would ensure a relatively high reconciliation coverage target, while keeping reconciliation costs manageable.

*Material companies*: The above materiality threshold results in coverage of 12 companies in the mining sector. The selected companies are listed (pp.46-47), including their total payments to government in annex 3 (p.102) while non-material companies are presented in annex 4 (pp.103-109). The estimated reconciliation coverage target is 89% of company payments in light of this materiality threshold.

*Material company reporting*: Of the 12 material companies, the report confirms that four did not report. The report names the non-reporting companies (Allotropes Diamond Limited, AMR (Gold) Ltd, Sierramin Bauxite Limited and Sierra Rutile Limited) (p.55, table 7.1 p.57) and provides the value of their 2016 payments to government based on unilateral government disclosures, disaggregated by company. Combined, they accounted for 28.8% of revenues included in the scope of reconciliation, and 26.3% of total government extractives revenues. Sierra Rutile Limited was identified by multiple sources as requesting to be exempted from EITI reporting for 2016, due to its acquisition by another company in 2016 (p.55). The report confirms that the other eight material companies all reported, but this implies that the reconciliation coverage dropped significantly, from the above estimated 89% to 62.7%. The report includes extensive description of this lack of reporting (pp.63-64).

However, three related companies’ payments were reported under the parent company in the 2016 report. The report notes that multiple payments of parent companies were made on behalf of subsidiaries, e.g. as Shandong Steel Limited making payments on behalf of Tonkolili Iron Ore (SL) Limited and African Railway and Port Services (SL) Limited (pp.ix,56,74,82), which risked leading to double reporting, as the other companies also submitted reporting forms. However, the report does not specify the precise payments that were reported by both the parent and subsidiary companies. Based on unpublished reporting templates provided by the national secretariat, at least payments an EPA monitoring license fee of African Railway and Port Services (SL) Limited were double-reported as payments under Shandong Steel Limited as well. No evidence was provided explaining the reasons for the lack of separate reporting by African Railway and Port Services (SL) Limited, for payments *not* disclosed by under Shandong Steel Limited (p.115).

During their meeting in November 2017, the MSG discussed a letter from the new management of Sierra Rutile Limited, stating that the company would not report for 2016 as the company’s accounts prior to the merger of 7 December 2016 were currently “under review”.[[178]](#footnote-186) Nonetheless, the 2015 EITI Report did indicate that there were significant transactions associated with Iluka Resources Limited’s acquisition of Sierra Rutile Limited; AUD 375 million equity costs and AUD 18 million transaction costs. [NB The reference to the 2015 EITI Report is not correct as the acquisition did not complete until December 2016]. Although a clear recommendation of the 2015 report included NMA and NRA to assess whether there were possible capital gains taxes accrued[[179]](#footnote-187),[[180]](#footnote-188) (p.ix,39), no such efforts were noted in the 2016 report nor in MSG meeting minutes. Upon investigation the International Secretariat have found documentation suggesting that such taxes were indeed agreed upon in 2016, although no indication of payment timing could be located.[[181]](#footnote-189) The payment of capital gains taxes was payable by a former major shareholder of Sierra Rutile Limited at the time, Pala Investments.[[182]](#footnote-190) Also, although loan repayments are not regular revenue streams like the rest of the above, Sierra Rutile Limited also settled a EUR 22m liability towards the government in November 2016[[183]](#footnote-191),[[184]](#footnote-192) If any segment of these instalments covered interest on the loan amount, this is considered non-tax revenues. However, none of these transactions were covered by the report in detail.

*Material government entities*: The MSG determined that all government entities that received revenues from extractive sector companies according to the materiality thresholds were included in the scope, and these seven material agencies are listed in the report (p.48).

*Government reporting*: All types of government entities included in the scope of reporting appear to have reported, including unilateral disclosures for total payments from the four non-reporting companies highlighted above. However, the report notes that some beneficiaries of material direct subnational payments or subnational transfers did not submit reporting templates, which did not allow for a full reconciliation of these payments (pp.x-xi, *see Requirements 4.6, 5.2 and 6.1*).

*Discrepancies*: The materiality threshold for investigating discrepancies was set at 1% of the total reported government revenues, per revenue stream. According to table 7.3 (p.59) the initial *net* discrepancies amounted to USD 254 179 or 1.5% of initial government revenues. Through reconciliation a gross discrepancy of USD 3 402 666 was resolved, or 19.8% of total reconciled government revenues. The remaining discrepancies, or unresolved discrepancies, amount to USD 114 792 or 0.7% of total final reconciled government receipts (p.59).

*Full government disclosure*: The report provides full government disclosure disaggregated by revenue stream in table 7.9 (pp. 63) including the revenues reported unilaterally for non-material companies. Total government revenues total USD 26.6m.

#### Stakeholder views

Government representatives consulted agreed that SLEITI publications had enabled them to track government revenues from the extractives more closely. Although certain companies and government stakeholders highlighted the existence of taxpayer confidentiality clauses in the Income Tax Act 2000[[185]](#footnote-193), the same data seemed uncontroversial to publicly disclose through SLEITI.

The lack of reporting by four material companies did not seem to concern any civil society or government stakeholders, as unilateral disclosures by government were provided with the required quality assurances. Neither did it concern government that the remaining unilateral disclosures were not disaggregated by individual revenue stream, but by government entity (as visible in table7.1, p.57). However, some civil society representatives highlighted that, while the quality of SLEITI data was perceived as good, there were concerns regarding the scope and comprehensiveness of the reconciled data. These non-MSG stakeholders expressed concern that signature bonuses were excluded from reporting and, even though they were conscious that no petroleum rights had been awarded in the period under review, some argued that the report should still have confirmed the value of revenues collected under all revenue streams to ensure the comprehensiveness of the scope of reconciliation, including capital gains taxes.

In relation to Sierra Rutile, the repayment of the government loan is covered on page 55 and the payment of capital gains tax related to the acquisition of Sierra Rutile by Iluka Resources is also covered in that page.

Company and government stakeholders highlighted the importance of quarterly filings made by companies to the NMA, named C-17[[186]](#footnote-198) and C-23[[187]](#footnote-199) forms. All templates of different filings made by companies to NMA are available online[[188]](#footnote-200), although the completed filings are not publicly accessible. These filings contained companies’ payments to government and were subject to compliance checks every six months. Although stakeholders emphasised that quality assurances for these forms did not amount to a form of audit, they strongly recommended that better quality assurances could be made and that there were no apparent barriers to the publication of these filings. These claims were also mirrored by companies, who welcomed efforts that could reduce duplication of reporting.

#### Initial assessment

The International Secretariat’s assessment is that Sierra Leone has made meaningful progress towards meeting this requirement. The MSG’s choices on materiality, based on the scoping study, are clearly stated in the 2016 EITI Report. It includes the rationale for excluding indirect and non-material payments from the scope of reconciliation. The key and potentially significant concern is the exclusion of capital gains taxes from the scope of both materiality calculations and reconciliations, without clear justification. There is no evidence in reviewed documentation or stakeholder consultations to confirm the lack of materiality of capital gains taxes in 2016. Additionally, four material companies did not report, representing payments worth 26% of total government extractives revenues in 2016. These payments are disaggregated by each company and government entity. Still, the report adequately documents both the gross and net final unreconciled discrepancies and calculates its effect on the EITI Report’s reconciliation coverage. Lastly, several payments associated with two subsidiaries were reported as consolidated payments under their parent company, which the report does not sufficiently explain. With these concerns in mind the report provides full government disclosure disaggregated by revenue stream, with the exception of potential capital gains taxes.

In accordance with Requirement 4.1.a, Sierra Leone should ensure that all significant payments and revenues made by extractive companies are considered in determining material revenue streams. Any omissions should be documented and justified. It should only exclude entities where payments are demonstrably not material, in accordance with Requirement 4.1.c. The MSG should also ensure that the government unilaterally reports all government revenues from the extractive sector, by individual revenue stream, including those below the materiality threshold in order to present a comprehensive reconciliation coverage. To strengthen implementation by transitioning to systematic disclosure of EITI data, Sierra Leone may wish to work closely with National Minerals Agency and companies, to ensure that statutory reporting of payments to government are made publicly accessible. This could greatly improve on timeliness and regularity of revenue transparency as well as ensure project-level reporting. It could reduce the resources spent on initial data collection for determining materiality of companies.

### In-kind revenues (#4.2)

#### Documentation of progress

The 2016 EITI Report confirms that there were no in-kind revenues, nor any sales of state share of production in the mining sector in 2016. The report provides evidence that no state-owned enterprise exists through which government receives in-kind revenues and confirms that no company paid revenues to the government in kind (p.51). The lack of such revenues has also been confirmed in previous EITI Reports and was confirmed as part of the IA’s ToR for 2016.[[189]](#footnote-201)

#### Stakeholder views

Stakeholders did not provide any other comments about this requirement other than supporting the above findings.

#### Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable to Sierra Leone in 2016. The 2016 EITI Report confirms that the government does not receive any in-kind revenues.

### Barter and infrastructure transactions (#4.3)

#### Documentation of progress

According to the 2016 EITI Report, there were no infrastructure provisions or barter arrangements identified in existing contracts with mining companies (p.51), which is consistent with the IA’s ToR for 2016, where the IA was tasked to confirm the lack of such provisions (p.143).

*Barters:* The 2016 EITI Report states that there were no barter arrangements in Sierra Leone in 2016.

*Infrastructure:* The 2016 Report does not mention any specific agreement, while the scoping study does not make any reference to infrastructure nor barter arrangements.

#### Stakeholder views

While the report states there were no infrastructure and barter arrangements, news outlets and stakeholder consultations were not as unequivocal in their views. According to several news outlets, the government signed a Memorandum of Understanding (MoU) with the China Kingho Energy Group in July 2013, which included an investment agreement for 250km of railway.[[190]](#footnote-202) The agreement conformed with several characteristics of infrastructure and barter arrangements, with the exception of the direct trade of mineral rights. However, the trade-off was corroborated by statements from several development partners and civil society organisations.

Judging by certificates of incorporation, the above-mentioned company was most likely affiliated with a material company, the Kingho Investment Company Limited (TIN 1013683-0). The same company was awarded two exploration licenses, EXPL 33A/2010 and EXPL 34A/2010 shortly following the signing of the MoU, in September 2013. The licenses covered areas in Tonkolili in northern Sierra Leone – less than 20 kilometres from the railway project in Magburaka.[[191]](#footnote-203) Today the company does not hold any active licenses in the country. According to an August 2018 news article, Sierra Leone cancelled more than 40 licenses, mainly related to exploration, eleven of which were held by Kingho Investment Company Limited.[[192]](#footnote-204) The cancellations were related to claims of illegal mining activities for a period of four years, which would include the period under review.

Stakeholders from government constituencies and involved in data collection did not consider the MoU between the Chinese companies and GoSL as infrastructure arrangements as such since MoUs are not legally binding in the country. Several of them noted that the exploration licenses were not awarded in relation to the supposed investment deal[[193]](#footnote-205), and could therefore not be considered an infrastructure arrangement. Consultations revealed a common understanding among stakeholders that, without Parliamentary approval, no legally binding agreement can be made in Sierra Leone. This approval would also make the agreements public documents.

However, stakeholders could not provide evidence that the MoU did not fit the definition of barters. In fact, several representatives of civil society, development partners and industry experts raised general concerns that certain MoUs, particularly those involving Chinese-owned companies, contained provisions that conformed to the definition of infrastructure provisions and barter arrangements in the sense of Requirement 4.3. When questioned on this issue, company representatives were unable to dismiss this unequivocally.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made inadequate progress in meeting this requirement. The report claims that there were no barter agreements or infrastructure provisions in 2016. There is no evidence from stakeholder consultations and MSG meeting to suggest that the MSG or other stakeholders have discussed these issues in detail. In fact, several stakeholders allude to the existence of infrastructure provision and barter arrangements, without providing specific details. Representatives from the companies involved could not confirm or deny the existence of such provisions in their agreements with the state. In the absence of categorical confirmation that there are no infrastructure and barter arrangements, there is insufficient publicly-accessible information to conclude that the requirement is not applicable.

In accordance with Requirement 4.3, Sierra Leone is required to consider whether any agreements, or set of agreements, involve the provisions of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production rights. To do so, the MSG and the Independent Administrator needs to gain a full understanding of the terms of any relevant agreement and contracts between the state and other parties involved, the value of such agreements, and the materiality of such agreements relative to conventional agreements. Where such agreements are material, the MSG and Independent Administrator should ensure that EITI Reports provide a level of detail and transparency commensurate with disclosures and reconciliation of other payments and revenue streams.

### Transport revenues (#4.4)

#### Documentation of progress

Section 6.4 in the 2016 EITI Report covers transportation payments (pp.50-51). The report does not document the MSG’s definition of materiality for transportation revenues, implying that it adopted a de facto materiality threshold of zero. It provides evidence that there are two potential transportation revenue flows accruing to government related to minerals. The first relates to the majority state-owned Mining and General Services Limited (MAGS) (*see Requirement 2.6*). The report explains that the company transports goods to mining companies as well as other sectors but does not present any figures for potential revenues from MAGS’s operations.

The second potential transportation revenue considered is via African Railway and Port Services (SL) Limited, a company in which the government holds a minority share. The report claims that there were no transportation payments to government (p.51), although evidence was also provided that African Railway and Port Services (SL) Limited reported a payment of USD 250 000 for “Port Rent” on 3 November 2016, which is included in reporting templates from the company for the year under review.[[194]](#footnote-206) The report does note that payments from the company were reported for 2016 by its majority-shareholder Shandong Steel Limited (pp.55-56). However, there is insufficient information in the report to determine whether Port rent represents a form of payment to government linked to the transportation of minerals. In addition, the report does not clarify which of the three port-related entities are involved nor how they are involved.

Although the report highlights that NRA and NMA did not receive revenues from MAGS or African Railway and Port Services (SL) Limited (p.33), the report does not present sufficient evidence to justify the claim. Nor did the report clarify whether there were any barriers to obtain such information.

#### Stakeholder views

Government stakeholders claimed that the operations of African Railway and Port Services Sierra Leone Limited was discussed as a potential source of transportation revenues. Even though the government holds a 10% free carried interest in the company, no stakeholder thought there were specific tariffs from transportation of commodities. Still, stakeholders did identify an annual contribution towards GoSL of USD 250 000, arising from a lease agreement, as the “Port rent” noted in the documentation section. During the International Secretariat’s review, these payments are more indicative of equity shares from general use of infrastructure, rather than transportation revenues.

There were also claims that MAGS’s role was also discussed by the MSG, as the report specifically references MAGS as participating in transportation. However, no stakeholders from any constituency seemed aware of the company’s precise operations, providing contradicting claims ranging from customs clearance, transportation, or shipment insurance. On the other hand, stakeholders were in unanimous agreement that MAGS did not give rise to government revenues (p.33).

Lastly, some industry and civil society members alluded to a third company, which is presumably established through legislation to have exclusive rights to 40% of exports and imports in Sierra Leone, at a price 10% more than the market. A name search through the Sierra Leone CAC confirmed the existence of such a venture.[[195]](#footnote-207) However, it was used as an example of an earlier tendency for certain legislation in Sierra Leone which do not materialise, as no such company is in current operation according to stakeholders. The company and act in question is the Sierra Leone National Carrier Limited[[196]](#footnote-208), which does not seem operational.[[197]](#footnote-209),[[198]](#footnote-210)

#### Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable in Sierra Leone. The 2016 EITI Report states that there were no transportation revenues in 2016. Port rents of USD 250 000 were paid by a company in which the government holds minority-shares. The company, African Railway and Port Services (SL) Limited, pays annual fees to the Government of Sierra Leone as part of their lease agreement and equity shares of the government. As such, these revenues are flat fees and not related to amounts, routes or specific tariffs associated with transportation of mineral commodities.

To strengthen implementation, Sierra Leone is encouraged to expand on their justification for why transportation revenues are not applicable in Sierra Leone, by ensuring there is an explicit clarification from the Government of Sierra Leone that the state does not receive payments that arise from tariffs levied specifically on transportation of minerals.

### Transactions between SOEs and government (#4.5)

#### Documentation of progress

As demonstrated under Requirement 2.6, there is no state participation through majority equity holdings in an upstream company in either the petroleum or mining sector. We can therefore conclude that there were no transactions from SOEs to the government.

#### Stakeholder views

No stakeholder presented any views on this requirement.

#### Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable to Sierra Leone in the period under review (2016). The 2016 EITI Report confirms that there were no state-owned enterprises in the upstream extractives sector in 2016.

To strengthen implementation, Sierra Leone may wish to establish mechanisms where a clear definition and existence of any SOEs, and any transactions between SOEs and the government, can be clarified on an annual basis.

### Subnational direct payments (#4.6)

#### Documentation of progress

The Local Government Act 2004 provides the legal framework for the effective administration of local councils. It also gives both local and chiefdom councils power to raise revenue from local taxes, property rates, licenses, fees and to receive mining revenue, interests and dividends. Other legislation described in the report are the Chieftaincy Act 2009 and the Local Government Regulations 2004. Combined, these acts specify the devolution of some 80 functions from central to local government (p.13), which defines paramount chiefs, District Councils and Chiefdom Councils as local government.

The 2016 EITI Report provides evidence that petroleum companies do not make payments to subnational levels (pp.43-44). The report clarifies that local government units receive subnational payments from *mining* companies, in the form of surface rent as determined by surface rent agreements, Community Development Funds (CDF) as determined by Community Development Agreements (CDA) and the Diamond Area Community Development Fund (DACDF) (p.74). While all are treated direct subnational payments in the report, contributions to Community Development Fund (CDF) are made to non-government subnational entities and are treated as a mandatory social expenditure (*see Requirement 6.1*). Similarly, the Diamond Area Community Development Fund (DACDF) is paid centrally and further distributed, and is therefore assessed under requirement 5.2, as subnational transfers. An overview of the cashflow associated with each of these revenue streams is provided in *Annex F: Cashflows from surface rent, community development funds, and diamond area community development fund*.

Lastly, although local councils and chiefdoms also have the power to impose a variety of local taxes, including property rates, business licenses, and through dividends for equity shareholding, however these have been excluded from the scope of reporting on the basis that they are not considered extractive-specific taxes and levies, not on the basis of materiality.

Surface rents payments in Sierra Leone are mandatory payments based on individual agreements with companies. According to legislation, surface rent payments are mandatory but there are no statutory rates nor costs per area-unit. Therefore, several companies in Sierra Leone have entered into agreements either through mining license contracts or concessions, or through separate surface rent agreements. There is no single overview of all agreements and their affiliated companies.

The report indicates that the total surface rents must be distributed among different categories of beneficiaries according to a set distribution formula (p.74). Through its recommendations the report confirms that there is no statutory requirement[[199]](#footnote-211) for payments to be made either directly to subnational entities nor to central government agencies. Therefore, the practice also varies (p.79). Although most stakeholders claim that NMA merely retains oversight of all contributions (see stakeholder views below), one company, Koidu Limited, is identified in the report as making all surface rent payments to MoLGRD who subsequently redistributes (*see Requirement 5.2*). According to the ASSL’s audit report for 2016, NMA is the agency responsible for managing surface rent agreements, notes that agreements are not available, and that there are significant underpayments of surface rents.[[200]](#footnote-212)

In terms of coverage, the MSG decided to only cover 35% surface rents in the scope of reconciliation, by only reporting for specific types of beneficiaries. The report excludes payments to individual landowners and paramount chiefs, which statutorily accounts for 65% of surface rent receipts for each surface rent agreement. The report explains this was done due to the sheer number of beneficiaries (p.74). While landowners are not government entities, and therefore not problematic to exclude, paramount chiefs are. On this basis, the MSG decided to include receivables of District councils, Chiefdoms and Members of Parliament (also called *constituency development funds*) to be reconciled; hence the 35% coverage.

All material companies were asked to report on direct subnational payments. In the end, three companies reported on surface rent payments. The report provides the payments of Sierra Minerals Holdings No.1 Limited, Shandong Steel (on behalf of Tonkolili), and Koidu Limited (pp.74-75). The unilateral disclosures by these three companies also include payments outside the scope of reconciliation, to paramount chiefs and landowners. The payments and receipts are disaggregated by recipients (and recipient category) for two of the three reporting companies (Sierra Minerals Holdings No.1 Limited and Koidu Limited). The fact that Shandong Steel made payments on behalf of its subsidiary Tonkolili Iron Ore (SL) Limited is noted as a gap in reporting, with associated recommendations reporting (pp.ix-x,56,82-83). Reconciliation of surface rent payments is included in Appendix 5, as part of per-company results of reconciliation (pp.110,113,115). As no surface rents are managed centrally, with the exception of Koidu Limited, total surface rent payments are unknown, and therefore also the actual coverage of the reconciled figures.

#### Stakeholder views

Stakeholders, mainly from civil society, confirmed that surface rents were the only direct payments to subnational governments related to the extractives. All stakeholders claimed that NMA retained oversight over all these payments (with the exception of NMA themselves), albeit providing no evidence for this. Surface rents were described as paid directly to beneficiaries by companies, with rates subject to annual negotiation with communities directly. Stakeholders also confirmed that the total amount, which is defined by surface rent agreements, is then distributed amongst different categories of local government according to a predetermined distribution, as mandated by section 34 of the Mines and Minerals Act 2009 (p.74).[[201]](#footnote-213) In some cases stakeholders claimed these payments were codified as part of mining lease agreements with fixed totals (and set annual increases).[[202]](#footnote-214) Several industry stakeholders implied a preference for making all payments directly to central government agencies, although this was not considered possible under the current legislation. This view was also held for subnational transfers and social expenditures, such as DACDF and CDFs. Companies and civil society representatives alike implied that standard rates and centralised management of such payments would be preferable to the current procedures, which were considered challenging both for EITI reporting and, more importantly, for corporate *and* government oversight of such payments.

According to stakeholders from all constituencies, surface rent payments were largely made directly from companies directly to communities, with the exception of Koidu Holdings, which payed directly to Ministry of Local Government and Rural Development for subsequent redistribution to local governments. This claim contradicts report documentation and is described in further detail under Requirement 5.2. However, none of the government stakeholders agreed on how the funds were managed, and none of the representatives of central government agencies consulted accepted responsibility for these payments. Regardless, all stakeholders agreed that all company payments of surface rent were done through annual events in each region, which were attended by representatives of local communities, CSOs, media, MoLGRD, NMA, NRA and SLEITI .[[203]](#footnote-215),[[204]](#footnote-216) Stakeholders from civil society, government and industry argued that total payments were publicly accessible as all events were public, although precise details of recipients and beneficiaries were not.

Stakeholders from all constituencies confirmed that surface rental *agreements* were not public, with no centralised management of funds or agreements. In response government stakeholders indicated that surface rent agreements were largely not signed or formalised, without further deliberation on status or form. Some claimed that NMA intended to ensure that agreements were signed in the case of all companies, and that they would be made publicly accessible, as was currently being implemented for CDAs (*see Requirement 6.1*).

Some stakeholders also noted the Anti-Corruption Commission’s scrutiny of Paramount Chiefs. They argued Paramount Chiefs had refused to report on their use of surface rents, CDFs and DACDFs. In addition, certain industry experts consulted indicated that an audit of these surface rents would soon be presented to Parliament and subsequently made public.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made inadequate progress towards meeting this requirement. Payments or other transactions to subnational government entities are widely considered one of the main challenges of Sierra Leone’s regulatory environment by all stakeholders, and subsequently for EITI Reporting. The report and stakeholder consultations are often contradictory regarding which government agencies are statutorily delegated to maintain oversight of subnational payments, and there are several concerns that no public overview is available for all subnational payments. However, these views have not been well reflected in EITI Reports. Although the report describes surface rents, community development funds and diamond area community development funds as direct subnational payments, only surface rent payments are made directly to subnational entities with the exception of payments from Koidu Limited. Also, several non-extractive-specific revenues were excluded with no justification based on materiality.

All companies were asked to report. But the multi-stakeholder group decided to reconcile surface rent received of Members of Parliament, District Councils and Chiefdom Councils only, excluding receipts from paramount chiefs and landowners. Although this choice is not made on the basis of materiality, surface rent payments to landowners is not required as these are non-government entities. However, paramount chiefs *are* and therefore their exclusion from the report is not sufficiently justified; it is not based on materiality thresholds. In the end, only three companies reported, and Members of Parliament did not submit their receipts of surface rents for reconciliation. In view of the lack of overview of either statutory rules or existence of agreements, the report clarifies that it is not possible to provide an assessment of surface rent coverage as compared to totals. Lastly, payments reported by Shandong Steel (SL) Limited are made on behalf of another material company, Tonkolili Iron Ore Limited, which is not clarified in the report. The company’s payments were not disaggregated by government recipient as required.

In accordance with Requirement 4.6, Sierra Leone should undertake a comprehensive review of which direct taxes and levies extractive companies are subject to at subnational level. Sierra Leone should ensure that reporting mechanisms are established which allow for estimation of total subnational payments in Sierra Leone, to determining whether payments are material. The MSG should provide a comprehensive explanation of how such payments are determined, paid, and managed. Where material, the Sierra Leone should ensure that reconciled information on all companies’ payments to subnational government entities and the collection of payments are publicly accessible.

### Level of disaggregation (#4.7)

#### Documentation of progress

The 2016 EITI Report presents reconciled financial data disaggregated by company (p.58), revenue streams (p.59) and government entity (table 5.3, pp.44-45), as well as a combination of the three in Appendix 5 (pp.110-119). Although the ToR for the IA in Appendix 10 tasks the IA with an assessment of the feasibility of project-level reporting (p.143), the report does not include such an assessment. The report does imply that financial data is available at license level, as reconciliation was undertaken on a per-license basis (p.55). The license registry[[205]](#footnote-217), as described under requirement 2.3, also provides project-level payments associated with individual licenses, and the International Secretariat was able to locate coverage for annual license fees, monitoring fees, license application fees, application for export of mineral or samples, royalties, and others. These disclosures, despite the lack of certainty over their comprehensiveness, conform with the disclosure rules under the EU Directives. A 2017 review of project-level reporting practices in EITI countries published by the International Secretariat confirmed that Sierra Leone’s legislation for large-scale mining operations requires ring-fencing of all accounts by project when a company holds more than one license.[[206]](#footnote-218) This is confirmed in the draft Minerals Policy awaiting Parliamentary approval at the time of Validation. A preliminary review of the coverage of statutory company reporting to the NMA, through the C-17[[207]](#footnote-219) and C-23[[208]](#footnote-220) forms, suggests that disclosure of payments to government is required on a per-license basis.

#### Stakeholder views

Stakeholders did not express any particular views regarding the level of disaggregation of reconciled financial data in the 2016 EITI Report.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. All reconciled financial data is disaggregated by company, revenue stream and government entity. The report does not provide evidence of project-level reporting, although this is not yet required under the EITI Standard. Still, evidence from third-party sources imply that much revenue information may already be available disaggregated by project.

To further strengthen implementation, Sierra Leone may wish to make progress on project-level reporting ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogota. Specifically, Sierra Leone is encouraged to publicly clarify the specific revenue streams that are imposed on a project level rather than at entity level and compare these revenue streams with the coverage of other statutory disclosures, such as through the license registry system and filings to the National Minerals Agency, such as the C-17 and C-23 forms.

### Data timeliness (#4.8)

#### Documentation of progress

While Sierra Leone’s 2016 EITI Report was agreed by the MSG and submitted to the International Secretariat 30 June 2018, within two years of the accounting period covered, it was not available on the SLEITI website ahead of Validation. The global EITI website published the 2016 EITI Report on 7 September 2018, while the SLEITI website published it on 19 October 2018, after commencement of Validation yet still within two years of the end of the fiscal period covered.[[209]](#footnote-221) There is evidence that the fiscal period covered was approved by the MSG via the IA’s ToR, covering both the 2015 and 2016 EITI Reports. In several sections, the report identifies the year under review as 2016 and “the fiscal year ending in December 2016”, implying the calendar year of 2016 as the period under review.

#### Stakeholder views

There was consensus among all stakeholders that the 2016 EITI Report was approved and published in physical format during the summer of 2018, which is corroborated by MSG meeting minutes.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress towards meeting this requirement. Although online publication of the 2016 SLEITI Report was delayed until after the commencement of Validation, there was consensus among stakeholders, confirmed through a review of internal emails and MSG meeting minutes, that the 2016 EITI Report was published in physical format ahead of the commencement of Validation, in July 2018.

To strengthen implementation by improving the timeliness of EITI data disclosures, Sierra Leone may wish to further explore opportunities for systematic disclosure of extractive revenue data, such as through online publication of existing statutory filings by companies to government entities. One such venue which SLEITI may wish to explore are the so-called ‘C-filings’ made to the National Minerals Agency, which from a preliminary review seem to cover both financial and contextual data on a monthly, quarterly and annual basis.

### Data quality (#4.9)

#### Documentation of progress

*Terms of Reference for the Independent Administrator*: The ToR for the IA for the 2015 and 2016 EITI Reports is published in appendix 10 of the 2016 EITI Report (pp.133-156). It is based on the standard ToR which reflects the *agreed upon procedures for EITI Reports* approved by the EITI Board.[[210]](#footnote-222) The ToR was agreed at the MSG’s 29 June 2017 meeting.[[211]](#footnote-223)

*Appointment of the Independent Administrator (IA)*: The IA’s statement published in the report (p.ii) confirms that Messrs Boas and Associates were procured as IA for the 2016 EITI Report. The MSG’s agreement on the IA’s appointment is documented in MSG meeting minutes on 14 November 2017.[[212]](#footnote-224)

*Agreement on the reporting templates*: The report states that reporting templates were agreed as part of the MSG’s approval of the IA’s scoping study (p.4) but does not provide examples of the templates used. However, MSG meeting minutes seem to indicate that reporting templates were issued to commence initial data collection *ahead* of procuring the IA.[[213]](#footnote-225),[[214]](#footnote-226),[[215]](#footnote-227) Minutes confirm that initial reporting templates were approved in August 2017 and that several material government agencies and companies had already submitted reporting templates by November 2017 when the scoping study was approved. The IA, through the 2016 EITI Report implies that data submission by all government entities would remain of high quality due to certification by the ASSL, and that data was collected between 20 October and 30 November 2017 (p.53) partially ahead of the appointment of the IA.

The reporting templates are not publicly accessible either through SLEITI’s website or in the scoping study, although examples were provided to the International Secretariat ahead of commencement of Validation. After commencement of Validation, the scoping study was made available on SLEITI’s website on 19 October 2018.[[216]](#footnote-228)

*Review of audit practices*: The IA’s review of reporting entities’ statutory audit procedures is described (pp.51-53). All companies and government entities are obliged to have their financial statements audited annually.

All companies that reported, except for Kingho Investment Ltd, provided evidence of audited 2016 accounts, in accordance with auditing standards issued by the International Auditing and Assurance Standards Board (IAASB) (pp.51-52). The report provides an assessment of the value of 2016 payments to government by Kingho, of USD 500 000 or 2.9% of final reconciled revenues. The report does not provide links to audited financial statements, although a footnote explains that they were not available on any corporate website (p.51). The report also explains the non-submission of data by several other companies (p.55-56), and highlights that the IA could not provide an evaluation of reliability of reporting entities internal controls.

The report links to the Auditor General’s report on the audit of public accounts to Parliament, dated December 2017 (p.52). According to Audit Service Sierra Leone (ASSL), there were several improvements in internal controls, and the report did not make any qualified statements. However, it also points out that there is a lack of reconciliation between various revenue departments and the Bank of Sierra Leone (p.52).[[217]](#footnote-229) Four suggested areas of improvement are noted for MMMR, related to surface rents and agreements between landowners and companies. These recommendations were related to (i) lack of surface rent agreements’ availability, (ii) lack of assessment of adequate payments by NMA, (iii) several landowners were not invited for negotiation, and (iv) there were clear indications of underpayment of surface rents (*for a description of surface rents,* *see Requirement 4.6*).

*Assurance methodology*: An overview of the assurance methodology for EITI reporting is provided in section 7 (p.53). The IA notes that the engagement was made in accordance with the international standard on related services as applicable to the agreed upon procedures. The required assurances include a sign-off on reporting templates from senior officials in the reporting entity, accompanied by supporting documents, and a detailed schedule of payments. In addition, certification of the reporting template from the external auditor was required for companies and from the Auditor General for government entities.

*Confidentiality*: The IA stated that they did not conform with the International Standards on Auditing Engagements but employed International Standard on Related Services (ISRS) 4400[[218]](#footnote-230), “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” (p.ii). While no evidence of other confidentiality provisions was provided in the report, the reference to ISRS 4400 covers adequate provisions for ensuring the confidentiality of information pre-reconciliation.

*Reconciliation coverage:* The reconciliation coverage is presented in table 7.9 (p.63). The coverage of reconciled revenues, per revenue stream, is reported in absolutes and as percentages of each revenue streams and the totals. The *target* coverage amounted to 96.9% of revenue streams, and 89% of company payments, as reported under requirement 4.1. Combined, these imply a total reconciliation target-coverage of 86.2%. However, due to the non-reporting of four companies, and a lack of assurances of comprehensive revenues as indicated in requirement 4.1, the final coverage is lower and amounts to a coverage of 65% overall (p.63, *see Requirement 4.1*).

Figure 5: Reconciliation target versus actual

*Assurance omissions*: Submissions of reporting templates are covered under requirement 4.1 and the report does include an estimate of the omissions without accounting for the lack of reporting from the four companies, which is equivalent to 26% of total revenues (p.64). Besides these four companies that did not submit reporting templates and thus no assurances, Kingho Investments Company Limited provided reporting templates devoid assurances (p.56). Therefore, in addition to the companies mentioned earlier, Kingho failed to provide the necessary assurances, lowering the reliable submitted data with an additional 1.9% of the total, bringing total omissions to approximately 28% of total revenues. All submissions by government agencies adhered to quality assurances (p.56), which includes submissions for the above five companies.

*Data reliability assessment*: The report describes how reliability assessments was conducted and notes the omissions made above. It explains that the lack of access to government reporting entities’ internal controls is a barrier for better reliability-assessments (p.56). The section includes the IA’s assessment that reconciled financial data quality is “good” as supporting documents being submitted for most of the bilaterally reported figures. However, there is no assessment of the comprehensiveness of reconciled financial data.

*Sourcing of information*: Information compiled using third-party sources are mostly sourced, with some limitation of sources or agencies, such as for employment data in table 8.2 (p.69). Still, the inclusion of explicit sources and links have increased significantly, providing greater information on the sources of the data presented in the report.

*Summary tables*: Summary data files for all years covered by Sierra Leone’s EITI Reports have been submitted to the EITI International Secretariat, however, the submissions were not finalised until after commencement of Validation.

*Recommendations*: Follow-up on recommendations from previous EITI reports is described in section 10 (p.78-81). Recommendations on the basis of the 2016 EITI Report for strengthening future reporting processes and other wider governance issues are provided in section 11 (p.82-84). For assessing the types of recommendations in Validation, this report used the four categories as described in a report by the International Secretariat from 2015[[219]](#footnote-231), later to be updated in 2018.[[220]](#footnote-232) The four categories distinguishes between recommendations for (i) EITI reporting improvements, (ii) public availability outside the EITI Report, (iii) strengthening audit practices of governments and companies, and (iv) wider governance issues, such as reforms and inconsistencies in legal and fiscal frameworks. Prior outstanding recommendations include one regarding public accessibility of information, while four others identify wider governance recommendations. For the period under review, there were an additional five recommendations; one regarding the effectiveness of EITI reporting, three which ensures greater public accessibility, and one wider governance issue or reform-suggestion. A summary is provided in Annex G: Types of recommendations in Sierra Leone EITI Reports.

#### Stakeholder views

MSG members claimed they had discussed the implications of non-reporting on the overall quality of revenue data. Still, none reported significant concerns about the reliability of the data. Certain wider civil society representatives commented that comprehensiveness was unlikely to be a challenge, although they considered that data reliability might be more challenging. However, several other members of the constituency challenged this claim, stating that non-reporting and lack of adherence to the agreed quality assurances did not influence the reliability of the report, as general government accounts had already been audited by the ASSL. Some CSOs highlighted that SLEITI data was the only channel for accessing comprehensive information on extractive revenues. Several stakeholders referenced the Extractive Industries Revenue Unit, the NRA’s first sector-specific audit unit, established in 2014. Some stakeholders noted that the unit had been less active in recent years but that there were plans to revitalise their activities. The unit monitored mining taxpayers and reported directly to the commissioner general of the NRA, which ensured high-level support during the setup of the unit.[[221]](#footnote-233)

Stakeholders from all constituencies confirmed that the ASSL certified and by performing what was dubbed ‘miniature audits’ of supporting documents provided by reporting government agencies. The reliability of the underlying data reported to EITI was deemed already to be sufficient by representatives of all constituencies, although they stated that data reliability was further improved by the added assurances as part of the SLEITI process. The certification process was not described as duplication of the IA or ASSL’s work, as it was simultaneously used by ASSL for risk-based selection of accounts or entities to scrutinise more closely. While stakeholders explained that the ASSL had a five-man unit dedicated to the certification, including wider audits of chiefdoms, they noted that these were not necessarily made public, other than through annual reports that included summaries of all audits performed in a single year.[[222]](#footnote-234)

Comments from the IA indicated there were challenges in ensuring submissions were adequately made. Stakeholders from industry and government indicated that all reporting entities had improved, but that issues remained due to the time-lag in EITI reporting. This was exacerbated by a high turnover of companies operating in Sierra Leone and had adverse implications for adherence to quality assurances. Certain reporting entities claimed that the annual reconciliation exercise had resulted in ensuring improvements in their internal procedures, such as archiving supporting documentation, and in ensuring receipts and payment vouchers were complete. The IA claimed that statements made in the 2016 Report did imply an assessment of reliability of reconciled financial data (pp.53-56). However, the IA also confirmed that the report did not include any statement on comprehensiveness of financial data.

One reservation was noted by certain companies as they highlighted that regardless of systematic disclosure on their part, government agencies and officials did not review companies’ websites for information. Therefore, they argued that information would need to be re-produced multiple times regardless of systematic disclosures on their part. They also considered that their audited financial statements were private and not for public dissemination, unless through the government’s own portals.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made meaningful progress towards meeting this requirement. The multi-stakeholder group agreed the terms of references for the independent administrator in line with the standard procedures approved by the EITI Board. The report clarifies both the statutory requirements and actual practice of reporting entity audits. The report also clarifies which companies did not report or adhere to agreed quality assurances, as well as estimate the significance of their payments. In addition, the report presents a clear overall assessment of the quality of reconciled data, but not of the comprehensiveness of reconciled financial data. The International Secretariat has also significant concerns on comprehensiveness as noted under Requirement 4.1. There are also indications that data collection began ahead of agreement with the independent administrator on reporting templates for the 2015 and 2016 EITI Reports. Final submission of summary data to the International Secretariat was not completed by the commencement of Validation.

In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with Requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

* Agree on reporting templates ahead of data collection
* Ensure that the Independent Administrator provides a clear and categorical assessment of comprehensiveness *and* reliability of the (financial) data presented.
* Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.
* Ensure the Independent Administrator produces electronic data files that can be published together with the final Report, and that, following approval by the MSG, the Independent Administrator submits summary data according to the standardised reporting format available from the International Secretariat.

Table 4: Summary initial assessment table: Revenue collection

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | International Secretariat’s initial assessment of progress with the EITI provisions |
| Comprehensiveness (#4.1) | Most MSG decisions and comprehensive revenue reporting are clearly presented in the 2016 EITI Report. The key and potentially significant concern is the exclusion of capital gains taxes from the scope of both materiality calculations and reconciliations, without clear justification. There is no evidence in reviewed documentation or stakeholder consultations to confirm the lack of materiality of capital gains taxes in 2016. Additionally, four material companies did not report, representing payments worth 26% of total government extractives revenues in 2016. Lastly, several payments associated with two subsidiaries were reported as consolidated payments under their parent company, which the report does not sufficiently explain. With these concerns in mind the report provides full government disclosure disaggregated by revenue stream, with the exception of potential capital gains taxes. | Meaningful progress |
| In-kind revenues (#4.2) | The 2016 Report confirms that no state-owned enterprise exists through which government receives in-kind revenues, nor does any private company provide revenues in kind. | Not applicable |
| Barter and infrastructure transactions (#4.3) | The report claims that there were no barter agreements or infrastructure provisions in 2016. There is no evidence from stakeholder consultations and MSG meeting to suggest that the MSG or other stakeholders have discussed these issues in detail. In fact, several stakeholders allude to the existence of infrastructure provision and barter arrangements, without providing specific details. Representatives from the companies involved could not confirm or deny the existence of such provisions in their agreements with the state. In the absence of categorical confirmation that there are no infrastructure and barter arrangements, there is insufficient publicly-accessible information to conclude that the requirement is not applicable. | Inadequate progress |
| Transport revenues (#4.4) | The 2016 EITI Report states that there were no transportation revenues in 2016. Port rents of USD 250 000 were paid by a company in which the government holds minority-shares. The company, African Railway and Port Services (SL) Limited, pays annual fees to the Government of Sierra Leone as part of their lease agreement and equity shares of the government. As such, these revenues are flat fees and not related to amounts, routes or specific tariffs associated with transportation of commodities. | Not applicable |
| Transactions between SOEs and government (#4.5) | The report does clarify that there were no state-owned enterprises in the upstream extractive sector giving rise to revenues to the government. | Not applicable |
| Subnational direct payments (#4.6) | Payments or other transactions to subnational government entities are widely considered one of the main challenges of Sierra Leone’s regulatory environment by all stakeholders, and subsequently for EITI Reporting. The report and stakeholder consultations are often contradictory regarding which government agencies are statutorily delegated to maintain oversight of subnational payments, and there are several concerns that no public overview is available for all subnational payments. However, these views have not been well reflected in EITI Reports. Also, several non-extractive-specific revenues were excluded with no justification based on materiality.  All companies were asked to report but, in the end, only three companies reported, and certain subnational entities did not submit their receipts. | Inadequate progress |
| Level of disaggregation (#4.7) | All reconciled financial data is disaggregated by company, revenue stream and government entity. The report does not provide evidence of project-level reporting, although this is not yet required under the EITI Standard. Still, evidence from third-party sources imply that much revenue information may already be available disaggregated by project. | Satisfactory progress |
| Data timeliness (#4.8) | Although online publication of the 2016 SLEITI Report was delayed to after the commencement of Validation, stakeholder consultation and other documentation implies that EITI data was available ahead of the two-year deadline. | Satisfactory progress |
| Data quality (#4.9) | The multi-stakeholder group agreed the terms of references for the independent administrator in line with the standard procedures approved by the EITI Board. The report clarifies both statutory requirements and actual practice of reporting entity audits. The report also clarifies which companies did not report or adhere to agreed quality assurances, as well as estimate the significance of these omissions. In addition, the report presents a clear overall assessment of the quality of reconciled data but does not include an assessment of the comprehensiveness of reconciled financial data. There are indications that data collection began ahead of agreement with the independent administrator on reporting templates for the 2015 and 2016 EITI Reports. Final submission of summary data to the International Secretariat were not completed by the commencement of Validation. | Meaningful progress |
| **Secretariat’s corrective actions:**   1. In accordance with **Requirement 4.1.a**, Sierra Leone should ensure that all significant payments and revenues made by extractive companies are considered in determining material revenue streams. Any omissions should be documented and justified. It should only exclude entities where payments are demonstrably not material, in accordance with **Requirement 4.1.c**. The MSG should also ensure that the government unilaterally reports all government revenues from the extractive sector, by individual revenue stream, regardless of its inclusion in the reconciliation exercise as per **Requirement 4.1.d**. 2. In accordance with **Requirement 4.3**, Sierra Leone is required to consider whether any agreements, or set of agreements, involve the provisions of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production rights. To do so, the MSG and the Independent Administrator needs to gain a full understanding of the terms of any relevant agreement and contracts between the state and other parties involved, the value of such agreements, and the materiality of such agreements relative to conventional agreements. Where such agreements are material, the MSG and Independent Administrator should ensure that EITI Reports provide a level of detail and transparency commensurate with disclosures and reconciliation of other payments and revenue streams. 3. In accordance with **Requirement 4.6**, Sierra Leone should undertake a comprehensive review of which direct taxes and levies extractive companies are subject to at subnational level. Sierra Leone should ensure that reporting mechanisms are established which allow for estimation of total subnational payments in Sierra Leone, to determining whether payments are material. The MSG should provide a comprehensive explanation of how such payments are determined, paid, and managed. Where material, the Sierra Leone should ensure that reconciled information on all companies’ payments to subnational government entities and the collection of payments are publicly accessible. 4. In accordance with **Requirement 4.9.a**, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with **Requirement 4.9.b.iii** and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should: 5. Agree on reporting templates ahead of data collection 6. Ensure that the Independent Administrator provides a clear and categorical assessment of comprehensiveness and reliability of the (financial) data presented. 7. Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.   **Secretariat’s strategic recommendations:**   1. To strengthen implementation by transitioning to systematic disclosure of EITI data, Sierra Leone may wish to work closely with National Minerals Agency and companies, to ensure that statutory reporting of payments to government are made publicly accessible. This could greatly improve on timeliness and regularity of revenue transparency as well as ensure project-level reporting. It could reduce the resources spent on data collection for determining materiality of companies. 2. To strengthen implementation, Sierra Leone is encouraged to expand on their justification for why transportation revenues are not applicable in Sierra Leone, by ensuring there is an explicit clarification from the Government of Sierra Leone that the state does not receive payments that arise from tariffs levied specifically on transportation of minerals. 3. To strengthen implementation, Sierra Leone may wish to establish mechanisms where a clear definition and existence of any SOEs, and any transactions between SOEs and the government, can be clarified on an annual basis. 4. To further strengthen implementation, Sierra Leone may wish to make progress on project-level reporting ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogota. Specifically, Sierra Leone is encouraged to publicly clarify the specific revenue streams that are imposed on a project level rather than at entity level and compare these revenue streams with the coverage of other statutory disclosures, such as through the license registry system and filings to the National Minerals Agency, such as the C-17 and C-23 forms. 5. To improve on timeliness EITI data, the MSG may wish to further explore opportunities for systematic disclosure of extractive sector data, such as through online publication of existing filings from companies to government entities. One such venue which SLEITI may wish to explore are the so-called ‘C-filings’ made to the National Minerals Agency, which from a preliminary review seem to cover both financial and contextual data on a monthly, quarterly and annual basis. | | |

## 5. Revenue management and distribution

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

### Distribution of revenues (#5.1)

#### Documentation of progress

According to Sierra Leone’s Public Financial Management Act 2016[[223]](#footnote-235) and as confirmed by the latest Public Expenditure and Financial Accountability (PEFA) assessment[[224]](#footnote-236), Sierra Leone is slowly transitioning from operating around 1600 accounts of the Consolidated Revenues Fund (CRF) towards a Treasury Single Account (TSA) system. However, in 2016 Sierra Leone still maintained the CRF. Annual financial and budget reports are referenced in the report and all national-level payments are, in principle, made to the CRF as the relevant agencies MMMR/NMA, NRA, PD and EPA are part of the CRF (pp.71-72). All accounts under the CRF are recorded in the national budget and subject to annual audits.

Table 5.2 does highlight some revenues that are not transferred to the CRF (pp.43-44), including revenues collected by local councils and chiefdoms, as confirmed by the recent PEFA assessment, and extractive revenues such as surface rent, and training fees seem to be retained by the PD (pp.54). Lastly, the report notes that export duties on diamonds and gold are redistributed to subnational governments through the Diamond Area Community Development Fund (DACDF) (*see Requirement 5.2*), nonetheless the report confirms that these are accounted for in the CRF as the initial revenues are managed by MoLGRD and MMMR.

The report also briefly mentions two sovereign wealth funds, the Transformational Development Stabilization Fund and the Intergenerational Savings Fund, established through the PFM Act 2016 (p.8). The report does not describe them in detail, nor whether they are considered part of the CRF accounts. The report contains references to GFS classification and national revenue classifications in table 8.6 (p.73).

#### Stakeholder views

Government representatives confirmed that surface rents (if not paid to MMMR or MoLGRD), are not recorded in the CRF, and thus not part of the national budget. Some officials noted that revenues collected by the PD were not recorded in the CRF, although there was considerable uncertainty over whether this extended beyond what was noted in the report, i.e. that the PD only retained training fees. In addition, stakeholders confirmed that the funds created by the PFM Act were not yet operational in 2016 and were therefore not covered by the EITI Report. In addition, MSG meeting minutes of 21 June 2017[[225]](#footnote-237) indicate that the EPA retains a share of revenues, but that these earnings were considered to be part of the CRF. No other off-budget funds were identified during stakeholder consultations.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. The report includes several tables and sections explaining how revenues are recorded in the Consolidated Revenue Fund and thus in the national budget. The report is slightly unclear regarding the inclusion of a specific company’s surface rent payments, although these issues are covered under the assessment of direct subnational payments and subnational transfers (*see Requirements 4.6 and 5.2*).

To strengthen implementation, Sierra Leone is encouraged to publicly disclose additional information on the reporting and monitoring of management and performance of the newly-established sovereign wealth funds.

### Sub-national transfers (#5.2)

#### Documentation of progress

Section 9.1 of the 2016 EITI Report (pp.75-76) describes the statutory functioning of the Diamond Area Community Development Fund (DACDF), although it does not specifically identify allocation of the DACDF as subnational transfers but rather as subnational payments. In addition, surface rents of Koidu Limited to MoLGRD are also covered here, as this is the only arrangement where a government agency has taken it upon themselves to distribute payments of companies to subnational entities. The statutory revenue-sharing formula associated with surface rents are applicable also to Koidu Limited’s payments, although the funds pass through MoLGRD for redistribution. Assuming the total surface rent payments of Koidu Limited are correct (p.75), the distribution presented on the same page also follows the revenue-sharing formula noted in the report (p.74).

On DACDF, the report describes the statutory rules for how funds enter the DACDF (the fund) and how they are subsequently allocated through the revenue-sharing formula toward district councils and chiefdoms. However, some of the formula is quite complicated to calculate, as it depends on the amount of ASM licenses at a particular time. For a visual representation of how these revenues flow through the DACDF and are disbursed, please refer to *Annex F: Cashflows from surface rent, community development funds, and diamond area community development fund*. These transfers were not reconciled in the report (p.76). According to the report, the DACDF is jointly managed by MMMR and MoLGRD (p.75).

Revenues distributed from the DACDF are summarised for multiple years in Appendix 7 (p.120). Payment vouchers for 2015 transfers are detailed disaggregated by local government in Appendix 8 (pp.121-129) but no summary or details for 2016 transfers are disclosed. In addition, the report lacks disclosure of *notional* or estimated transfers as based on the revenue-sharing formula. The report itself highlights that MoLGRD and MMMR do not publish any information on notional transfers due to a lack of “primary data” (p.83), recommending that the MoLGRD and MMMR should systematically and publicly disclose how such calculation are made, as well as the notional value of transfers according to calculations based on the revenue-sharing formula.

It is possible to calculate how much certain beneficiaries are supposed to receive, e.g. how much of the total should be directed towards District Councils (20% of DACDF). According to the report, the government collected SLL 14.6bn[[226]](#footnote-238) in revenues from export duties on diamonds (p.51). The aggregate value of revenues that should have been transferred to the DACDF for subnational transfers can be calculated as about SLL 3.65bn based on the formula provided in the report. According to Appendix 7, this is approximately[[227]](#footnote-239) in line with the value of revenues entering the DACDF in 2016. However, it is not possible to calculate the value of notional subnational transfers to each of the beneficiary local governments based on data in the report, and actual subnational transfers in 2016 are not disclosed.

#### Stakeholder views

Government stakeholders confirmed that DACDF was responsible for making subnational transfers. According to stakeholders, mainly from government, the notional value of revenues to be transferred is calculated by the NMA, while the MMMR and MoLGRD manage the disbursements from the fund. However, several stakeholders expressed uncertainty over the precise division of responsibilities between different ministries in managing the DACDF.

All stakeholders confirmed that NMA receives the 3% export duties on diamond exports. 25% of the 3% are then transferred to an account maintained by the MMMR. According to stakeholders from several constituencies, MMMR requested NMA to calculate how funds should be distributed approximately every six months, based on the geographic distribution of ASM licenses according to NMA’s cadastre data. NMA provides calculations of notional subnational transfers, but government and civil society stakeholders indicated that there were consistent differences between the value of notional subnational transfers calculated according to the revenue-sharing formula and actual subnational transfers. The same stakeholders confirmed that revenues accrued to District Councils are possible to calculate based on total cashflow into the fund. However, the calculation based on ASM licenses in each district, which determines the total funds to Chiefdom Councils, is not possible based on current public information. Also, government stakeholders highlighted that there was no overview of how much funds indeed exist within the DACDF, and therefore the total values to transfer is not sufficiently clear either. Stakeholders agreed that while the EITI Report did help clarify the value of revenues transferred to the DACDF for subnational transfers, there were still significant uncertainties surrounding the management of the fund.

According to some government stakeholders, the DACDF was systematically scrutinised by the Anti-Corruption Commission (ACC), although others considered the ACC’s oversight to be limited to the precise disbursements towards the communities and local beneficiaries rather than extending to an investigation of discrepancies with what should have been transferred according to the revenue-sharing formula. Some stakeholders within the government noted that the DACDF was subject to annual audits, which was confirmed by the coverage of the DACDF in the Annual Report on the Accounts of Sierra Leone 2016.[[228]](#footnote-240) Others in the same constituency claimed that the management of the DACDF was one of the least transparent aspects of extractive revenue management, calling for more regular and extensive reporting on the fund’s operations.

None of the stakeholders expressed any views on the lack of data on executed subnational transfers in 2016. All stakeholders agreed that the main area of difficulty was related to subnational reporting. Transactions through surface rents, the CDFs and DACDFs are particularly difficult to collect, due to a lack of accounting systems on local levels. Certain stakeholders also confirmed that annual SLEITI reporting is slowly contributing to a change in accounting procedures, also at a subnational level. This is still limited to local councils, rather than among Paramount Chiefdoms and District Councils. Several industry stakeholders implied a preference for making all payments directly to central government agencies, although this was not considered possible under the current legislation.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made inadequate progress towards meeting this requirement. The 2016 EITI Report does include the value of Koidu Limited’s surface rent payments, managed and redistributed by the Ministry of Local Government and Rural Development, as well as ensuring that comparison between notional and actual transfers are possible. In addition, the report presents total extractive revenues transferred to the Diamond Area Community Development Fund for subsequent redistribution as subnational transfers, as well as the statutory revenue-sharing formula. However, the report did not provide the value of executed subnational transfers in 2016, providing only figures for 2015 transfers. The report does not provide the value of notional subnational transfers in 2016 according to calculations based on the statutory revenue-sharing formula.

In accordance with Requirement 5.2, Sierra Leone should ensure that subnational transfers of extractive sector revenues are publicly disclosed, when such transfers are mandated by national law or other revenue sharing mechanism. In addition, Sierra Leone should publish the detailed transfer amounts calculated in accordance with the relevant revenue formulas to each subnational entity under both the Diamond Area Community Development Fund (DACDF) and surface rent payments that are distributed by central government agencies. Lastly, Sierra Leone should ensure actual transfers are disclosed in detail, reconciled and summarised, highlighting any deviation from statutory calculations.

### Additional information on revenue management and expenditures (#5.3)

#### Documentation of progress

The 2016 EITI Report does not identify any revenues earmarked for specific programmes or geographic regions, apart from subnational transfers mandated through the DACDF (*see Requirement 5.2*). The report provides a description of the country’s budget and public-sector auditing procedures (pp.51-53), including links to further information such as the 2016 annual report of the ASSL.[[229]](#footnote-241) Sierra Leone’s annual financial report for the financial year are especially highlighted (p.52) and additional information is provided on budget implementation and audits (pp.70-72).

The report also covers the issue of sustainability and resource dependence (p.76-77). This includes a projection of real GDP and exports, including revenues. The projections are mainly made based on production forecasts and reference the 2017 budget statement.[[230]](#footnote-242)

#### Stakeholder views

There were no stakeholder views regarding this requirement.

#### Initial assessment

This requirement is not considered for assessing progress towards the EITI Standard. It is nonetheless encouraging that the MSG has made some attempt to including information on the budget-making and auditing processes as well as providing information on the resource dependence of the Sierra Leonean economy.

To strengthen implementation, Sierra Leone is encouraged to publicly disclose further fiscal analyses and forecasts on more granular levels, such as facilitating project-level forecasting, and make greater use of EITI reporting to compare previous government assumptions and projections with actual performance.

Table 5: Summary initial assessment table: Revenue management and distribution

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | International Secretariat’s initial assessment of progress with the EITI provisions |
| Distribution of revenues (#5.1) | The report includes several tables and sections explaining how revenues are recorded in the Consolidated Revenue Fund and thus in the national budget. The report is slightly unclear regarding the inclusion of a specific company’s surface rent payments, although these issues are covered under the assessment of direct subnational payments and subnational transfers (see Requirements 4.6 and 5.2). | Satisfactory progress |
| Sub-national transfers (#5.2) | The 2016 EITI Report does include the value of Koidu Limited’s surface rent payments, managed and redistributed by the Ministry of Local Government and Rural Development, as well as ensuring that comparison between notional and actual transfers are possible. In addition, the report presents total extractive revenues transferred to the Diamond Area Community Development Fund for subsequent redistribution as subnational transfers, as well as the statutory revenue-sharing formula. However, the report did not provide the value of executed subnational transfers in 2016, providing only figures for 2015 transfers. The report does not provide the value of notional subnational transfers in 2016 according to calculations based on the statutory revenue-sharing formula. | Inadequate progress |
| Information on revenue management and expenditures (#5.3) | This requirement is not considered for assessing progress towards the EITI Standard. It is nonetheless encouraging that the MSG has made some attempt to including information on the budget-making and auditing processes as well as providing information on the resource dependence of the Sierra Leonean economy. |  |
| **Secretariat’s corrective actions:**   1. In accordance with **Requirement 5.2**, Sierra Leone should ensure that subnational transfers of extractive sector revenues are publicly disclosed, when such transfers are mandated by national law or other revenue sharing mechanism. . In addition, Sierra Leone should publish the detailed transfer amounts calculated in accordance with the relevant revenue formulas to each subnational entity under both the Diamond Area Community Development Fund (DACDF) and surface rent payments that are distributed by central government agencies. Lastly, Sierra Leone should ensure actual transfers are disclosed in detail, reconciled and summarised, highlighting any deviation from statutory calculations.   **Secretariat’s strategic recommendations:**   1. To strengthen implementation, Sierra Leone is encouraged to publicly disclose additional information on the reporting and monitoring of management and performance of the newly-established sovereign wealth funds. 2. To strengthen implementation, Sierra Leone is encouraged to publicly disclose further fiscal analyses and forecasts on more granular levels, such as facilitating project-level forecasting, and make greater use of EITI reporting to compare previous government assumptions and projections with actual performance. | | |

## 6. Social and economic spending

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

### Social expenditures (#6.1)

#### Documentation of progress

For oil and gas, the 2016 EITI Report confirms the lack of payments overall , including mandatory social expenditures, by oil companies in 2016 (p.50).

The report identifies payments to Community Development Funds (CDF), payments arising from mandatory Community Development Agreements (CDAs), as mandatory social expenditures for mining companies. Each of the funds are jointly managed by local councils and the companies in unison by so-called “joint fund managers”. The report describes legislation requiring all mining companies (except ASM) to conclude a CDA with local communities affected by the mining project, with statutory minimum annual contributions of at least 0.01% of gross revenues (pp.39-40,77). As part of its description, the report highlights five conditions that companies must satisfy in order to conclude a CDA. The ToR for the IA stipulated that CDF payments are not to be reconciled as there is no current reporting nor monitoring system on the part of government (p.145). However, there is publicly-accessible evidence that companies are obliged to report to the NMA annually on their community development activities, through form C-20.[[231]](#footnote-243) The report does not mention these forms or reporting structures. Agriculture Development Funds were, according to the report, replaced by the CDFs and therefore there were no registered payments towards these funds. Nonetheless, the ToR for the IA states that subnational entities were asked to report on payments both to the Agriculture Development Funds *and* CDF (pp.144-145).

According to the report, only one of the eight reporting companies (Sierra Minerals Holdings No.1 Limited) reported payments to the CDF, totalling USD 113 691 (p.75). The report explains that the counterpart, the joint fund managers of the CDF for Sierra Minerals Holdings No.1’s contributions, did not report to the EITI and therefore there were no reconciliation nor data on revenues by beneficiaries. The report provides no explanation or justification for the lack of reporting of mandatory social expenditures by the other seven reporting companies, nor any description of the MSG’s review of the number of material companies that had concluded CDAs as of 2016. The report does not cover any voluntary social expenditures.

#### Stakeholder views

Stakeholders from most constituencies clarified that as the CDF payments were formalised largely to ensure standardised corporate social responsibility payments in Sierra Leone. Thus, stakeholders explained that there are limited *voluntary* payments that fall outside of CDAs and surface rent agreements. Government stakeholders confirmed that mandatory social expenditures were paid by companies in line with their CDAs, although whether paid directly to subnational funds or beneficiaries tends to vary. Stakeholders claimed all companies had concluded CDAs as of 2017, but that these were not publicly available. Several representatives from civil society, companies and industry experts also highlighted the provisions under Section 140 of the Mines and Minerals Act 2009, which prescribes the contents of CDAs that obliged companies and communities to agree on measures for mine closures, sometimes labelled “mine closure funds”. However, the same stakeholders indicated that there had been little or no follow up on this section of the Act and lamented the lack of coverage of this issue in EITI Reports aside from a cursory description of contents of CDAs (see 2016 Report p.77). Stakeholders also mentioned Community Development Action Plans, which were meant to ensure environmental and social impact assessments were actually implemented to mitigate the adverse impacts of mining operations. However, most government stakeholders and all civil society and industry stakeholders claimed that the action plans were subordinate to the CDAs, meaning that CDAs were seen as rendering action plans void.

There were different views on the level of government oversight of expenditures under CDAs on the part of stakeholders. According to several stakeholders from government, industry and civil society, no government agency maintained full oversight of these expenditures, although they noted that 'disbursement events' held by individual companies were widely publicised in media. However, there does not appear to be any publicly-accessible documentation of such events held in 2016. According to most stakeholders, CDA-related activities including disbursement of funds were undertaken by companies, under MMMR and MoLGRD oversight. Other government and corporate stakeholders claimed there was no involvement in oversight of CDA-related activities by either MMMR nor MoLGRD.

Stakeholders from both industry and civil society confirmed that individual CDAs were normally not publicly available. These stakeholders argued that CDFs would also benefit from statutory requirements imposed by government to *publish* these agreements, thereby clarifying the terms and commitments of contributions to communities by companies. Several company representatives indicated a preference towards mandatory social expenditures that were not subject left to discretion or outcome of negotiations with communities. According to some civil society members CDAs were originally created to replace voluntary social expenditures undertaken by companies, although they admitted that there had been deficiencies in the current regulatory and monitoring framework, in particular related to government oversight and companies’ ability to manage CDAs alongside all other commitments. Several industry stakeholders implied a preference for making all payments directly to central government agencies, although this was not considered possible under the current legislation.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made inadequate progress towards meeting this requirement. The 2016 EITI Report does provide evidence of an attempt to unilaterally disclose mandatory social expenditures under Community Development Agreements by companies. In the end, only one of the eight reporting companies, Sierra Minerals Holding No.1 Limited, disclosed the SLL and USD equivalents of three separate payments to the jointly managed Community Development Fund of Sierra Minerals and the Moyamba District Council. Still, there were no reported disbursement nor information on further allocation from the Community Development Fund. There is no explanation for the lack of disclosures by the other seven reporting companies and the information on mandatory social expenditures is not reconciled. The report does not provide any information on voluntary social expenditures.

In accordance with Requirement 6.1, Sierra Leone should ensure mandatory social expenditures, such as expenditures under Community Development Agreements, are comprehensively disclosed each reporting year. For all material mandatory social expenditures, companies are required to disclose the nature and value of transactions, whether in cash or in kind, and ensure that disclosures be disaggregated by non-government beneficiary with information on the names and functions of third-party beneficiaries. Sierra Leone is encouraged to reconcile mandatory social expenditures and consider disclosing information on companies’ voluntary social expenditures.

To support the efforts to address the corrective action on Requirement 6.1, government disclosures of community development contributions, SLEITI may wish to work closely with the National Minerals Agency and the Ministry of Mines and Mineral Resources to ensure that all Community Development Agreements and companies’ annual filings of C-20 forms to the National Minerals Agency - *Form to accompany an annual report on community development activities* – are systematically disclosed on the agency’s website and systematically undergoes quality assurances.

### SOE quasi fiscal expenditures (#6.2)

#### Documentation of progress

As noted in the assessment of state participation (*see Requirement 2.6*), there were no extractives SOEs in Sierra Leone in 2016. This implies that SOE quasi-fiscal expenditures did not exist in Sierra Leone in 2016 (p.51,65).

#### Stakeholder views

Stakeholders did not express specific comments towards this requirement.

#### Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable in Sierra Leone in the year under review (2016). The 2016 EITI Report confirms the lack of extractives SOEs in Sierra Leone in 2016.

### Contribution of the extractive sector to the economy (#6.3)

#### Documentation of progress

*Share of GDP:* Table 8.3 of the 2016 EITI Report (p.69) draws on the System of National Accounts developed by the UN for reporting GDP figures. The gross value added of “Mining and Quarrying”, which includes upstream oil and gas operations, is reported in absolute and relative terms, alongside the value of total GDP at current prices (p.69). The report does not provide any estimate of the value of informal extractives activities, aside from its coverage of ASM production values (p.7).

*Government revenues:* Government extractives revenues are included in table 8.1 in absolute terms and relative to total government revenues (p.68,44,45).

*Exports*: Table 8.1 on page 68 contains mineral resource exports and claims that mineral exports accorded for 91% of total goods’ exports (also pp.36-37). This is confirmed by table 4.3 (p.38) which reports minerals exports relative to total exports, as per the Bank of Sierra Leone.

*Employment* The report provides all required data on employment in the extractive industries under section 8.2 (p.69), disaggregated by gender, employment for and other factors. However, this data is not sourced. The report contains a comparison between the ASM sub-sector and totals for the extractive sector, which give rise to an ASM estimate (p.69).

*Location:* The report provides an overview of the location of production is concentrated (pp.70-71). Additional information on the location of production is publicly available online on the NMA website, albeit only up to 2015, with ‘*commodity profiles’* for Diamonds, Rutile and Ilmenite, Bauxite, Iron ore and Gold.[[232]](#footnote-244)

#### Stakeholder views

Government stakeholders confirmed that Sierra Leone regularly compiled national account statistics according to the System of National Accounts framework maintained by the United Nations Statistics Division.[[233]](#footnote-245) These estimates were identified as containing certain statistical corrections to incorporate coverage of the informal sector, which was estimated to account for around 20% of Sierra Leone’s entire private sector expenditure.[[234]](#footnote-246) According to stakeholders from civil society and government, no reliable estimates of the informal sector size exists, although anecdotal evidence was offered to suggest that the informal sector was increasing at the expense of ASM, due to increases in fees and other impositions by government on the ASM sector.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress towards meeting this requirement. The 2016 EITI Report adequately describes the extractive industries’ contribution, in absolute and relative terms, to gross domestic product, exports, government revenues, employment as well as some information on the location of mining production.

To strengthen implementation, Sierra Leone is encouraged to work closely with the National Minerals Agency and Statistics Sierra Leone to ensure that national accounts statistics, including on exports, are systematically disclosed for the extractive industries. As an example, more strategic use and publication of companies C-filings to the National Minerals Agency may assist Statistics Sierra Leone in compiling official statistics for the sectors contributions to government revenues and employment. Sierra Leone is encouraged to ensure that information on the contribution of artisanal and small-scale mining and informal mining to the economy is publicly accessible.

Table 6: Summary initial assessment table: Social and economic spending

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | International Secretariat’s initial assessment of progress with the EITI provisions |
| Social expenditures (#6.1) | The 2016 EITI Report does provide evidence of an attempt to unilaterally disclose mandatory social expenditures under Community Development Agreements by companies. In the end, only one of the eight reporting companies, Sierra Minerals Holding No.1 Limited, disclosed the SLL and USD equivalents of three separate payments to the jointly managed Community Development Fund of Sierra Minerals and the Moyamba District Council. Still, there were no reported disbursement nor information on further allocation from the Community Development Fund. There is no explanation for the lack of disclosures by the other seven reporting companies and the information on mandatory social expenditures is not reconciled. The report does not provide any information on voluntary social expenditures. | Inadequate progress |
| SOE quasi fiscal expenditures (#6.2) | The International Secretariat’s initial assessment is that this requirement is not applicable in Sierra Leone in the year under review (2016). The 2016 EITI Report confirms the lack of extractives SOEs in Sierra Leone in 2016. | Not applicable |
| Contribution of the extractive sector to the economy (#6.3) | The 2016 EITI Report adequately describes the extractive industries’ contribution, in absolute and relative terms, to gross domestic product, exports, government revenues, employment as well as some information on the location of mining production. | Satisfactory progress |
| **Secretariat’s corrective actions:**   1. In accordance with **Requirement 6.1**, Sierra Leone should ensure mandatory social expenditures, such as expenditures under Community Development Agreements, are comprehensively disclosed each reporting year. For all material mandatory social expenditures, companies are required to disclose the nature and value of transactions, whether in cash or in kind, and ensure that disclosures be disaggregated by non-government beneficiary with information on the names and functions of third-party beneficiaries. Sierra Leone is encouraged to reconcile mandatory social expenditures and consider disclosing information on companies’ voluntary social expenditures.   **Secretariat’s strategic recommendations:**   1. To support the efforts to address the corrective action on Requirement 6.1, government disclosures of community development contributions, SLEITI may wish to work closely with the National Minerals Agency and the Ministry of Mines and Mineral Resources to ensure that all Community Development Agreements and companies’ annual filings of C-20 forms to the National Minerals Agency - Form to accompany an annual report on community development activities – are systematically disclosed on the agency’s website and systematically undergoes quality assurances. 2. To strengthen implementation, Sierra Leone is encouraged to work closely with the National Minerals Agency and Statistics Sierra Leone to ensure that national accounts statistics, including on exports, are systematically disclosed for the extractive industries. As an example, more strategic use and publication of companies C-filings to the National Minerals Agency may assist Statistics Sierra Leone in compiling official statistics for the sectors contributions to government revenues and employment. Sierra Leone is encouraged to ensure that information on the contribution of artisanal and small-scale mining and informal mining to the economy is publicly accessible. | | |

# Part III – Outcomes and Impact

## 7. Outcomes and Impact

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

### Public debate (#7.1)

#### Documentation of progress

*Comprehensibility:* SLEITI produced *summary* reports[[235]](#footnote-247) in hard copies for the 2015 and 2016 EITI Reports. However, these reports are yet to be disseminated by the MSG and were not published on the SLEITI website at the start of Validation. Previously, SLEITI produced a summary report for 2014. A report from one of the town hall meeting held in 2016 revealed there were discussions on the 2012-2014 EITI reports.[[236]](#footnote-248) The 2016 EITI Reports were published on the SLEITI website in October 2018 after the commencement of Validation.[[237]](#footnote-249) However, both reports were made available and published in hard copies ahead of Validation (*see Requirement 4.8*). Both reports are written in English, which is the official language of Sierra Leone.

*Promotion*: The MSG had launched dissemination activities in Freetown by sharing the 2015 and 2016 reports with government agencies, however dissemination activities have not been carried out according to work plan for either the 2015 or 2016 EITI Reports at the start of Validation. SLEITI has held a capacity building workshop on the SLEITI 2015-2016 Reports for civil society and journalists, but this occurred after the commencement of validation in October 2018.[[238]](#footnote-250)

The SLEITI Secretariat and MSG have carried out dissemination activities to promote the 2014 EITI Report during town hall meetings[[239]](#footnote-251), interviews on radio stations, participation in TV talk shows, publications on SLEITI activities in local daily newspapers[[240]](#footnote-252).[[241]](#footnote-253),[[242]](#footnote-254) The 2014 summary report published in hard copies was disseminated during town hall meetings and shared with government partners like the Ministry of Mines, Ministry of Planning and Economic Development and the Ministry of Finance. SLEITI also gets invited by various stakeholders such as the Network Movement for Justice and Development (NMJD), Campaign for Good Governance and Women on Mining and Extractives, to provide input in discussions on governance and revenue transparency in the extractive industries.[[243]](#footnote-255) SLEITI has also shared EITI Reports with Members of Parliament through the SLEITI WhatsApp group, and on their Facebook page.[[244]](#footnote-256) However, social media accounts, in particular Facebook, do not seem to have been updated regularly since January 2016.

The 2017-2019 work plan includes several activities aimed at promoting the EITI Reports as well as the development of an EITI communication plan.[[245]](#footnote-257) The communication plan aims to promote: (i) effective information dissemination to SLEITI audience, (ii) SLEITI activities, (iii) understanding of issues identified from the EITI reports (iv) interaction with stakeholders, students and the media (v) use of data emanating from EITI reports (v) SLEITI visibility online.

Lastly, the 2017 annual progress report highlights that the SLEITI WhatsApp group (‘Support EITI-SL’) is used to generate debates on natural resource governance among SLEITI stakeholders, including non-MSG members, although the number of members of the WhatsApp group and the frequency of updates is unclear.

*Public accessibility:* SLEITI published their open data policy[[246]](#footnote-258) in June 2016, committing to publishing key information of EITI reports in an open data formats that anyone can access, use and share. The policy adopts principles to ensure release of EITI datasets . Also, the Right to Access information law[[247]](#footnote-259) allows for accessing, re-use and sharing of government documents in Sierra Leone. In addition, key information on licenses and related data is available through the MCAS[[248]](#footnote-260) managed by the NMA, which SLEITI references heavily in the reporting.

However, publication of information on the SLEITI website does not seem to be updated regularly. For example, information on the governing structure is outdated and summary reports for 2014, 2015 and 2016 were not published online at the start of Validation. Summary data or other data files for the same fiscal years were not uploaded until commencement of Validation.

*Contribution to public debate:* Reports on SLEITI dissemination activities claim that SLEITI has contributed to discussions on issues of surface rental distribution, discrepancies of reconciliation reports and licensing processes through town hall meetings and capacity building workshops.[[249]](#footnote-261) In the Tongo diamond community, a community radio station broadcasts regular phone-in programmes on EITI related issues.

Furthermore, EITI Reports have enabled greater scrutiny of financial exchanges through reconciliation of company payments and government receipts. The reconciliation process highlights discrepancies from the reports, however citizens are not equipped to ask the right questions and thus follow up is limited.[[250]](#footnote-262) However, no online articles could be sourced that explicitly referenced the EITI Report.

The MSG has agreed and published the SLEITI open data policy that allows for accessing, reuse and sharing of EITI data. However, there has not been much follow-up on the policy, and no open data files were published ahead of the commencement of Validation

#### Stakeholder views

CSOs consulted explained that they were using EITI findings and data to undertake research and publish reports such as *Not Sharing the Loot*[[251]](#footnote-263), *Sierra Leone at Cross Roads*[[252]](#footnote-264) and *Losing Out*[[253]](#footnote-265) which help in pushing for reform[[254]](#footnote-266) such as the enactment of the Extractive Industry Revenue Act.[[255]](#footnote-267)

While the 2016 EITI Report was only published on the SLEITI website after the commencement of Validation, stakeholders (companies, and government) confirmed that it had been published and made publicly available prior to Validation (*see Requirement 4.8*). SLEITI and the MSG produced summary reports for 2014, although discussions with a CSO representative revealed that they did not yet have access to any SLEITI summary reports. Yet secretariat staff claimed that they had been proactive in ensuring the public accessibility of EITI information both through the SLEITI website[[256]](#footnote-268) and in hard copies through dissemination and outreach events.[[257]](#footnote-269) SLEITI was described as providing access to EITI data through their website and dissemination activities such as town hall meetings. Stakeholders noted that the media are widely engaged. The availability of information was considered to have increased citizens’ awareness, trust and had brought about meaningful debate especially on community-level payments and transfers, including discussions around discrepancies highlighted by the reports.

stakeholders, A civil society representative noted a lack of capacity at the community level to understand complex EITI Reports and make meaningful use of it. They also highlighted that there was a need for further dissemination and outreach events in extractives regions across the country.

A civil society representative highlighted the need for more advocacy at local level due to the lack of accessibility to information on the extractives. The CSO considered that online disclosures should be accompanied by advocacy as a majority of the public could not access online information due to low Internet penetration levels and high costs. The representative also called for information to be simplified and made more accessible, including through radio or TV shows.

Representatives of the media consulted considered that EITI Reports were useful for their reporting. They explained that they used EITI Reports as sources for press articles that they claimed provoked dialogue. They confirmed the importance of disseminating information at the community level, especially regarding surface rentals that was widely perceived as a tool for political patronage. They also claimed that disseminating information at community level are seen as a channel for companies’ public relations rather than a forum for meaningful debate.

One development partner claimed that EITI Reports could have been disseminated in more creative ways to ensure better accessibility. The partner explained that, because of this lack of innovation, relevant stakeholders within the sector did not tend to ask questions to generate meaningful debates about the extractive industries. It was argued that SLEITI dissemination was therefore not impact-driven.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made meaningful progress in meeting this requirement. The 2015 and 2016 EITI Reports are written in clear English and have been published ahead of the commencement of Validation (*see Requirement 4.8*). The 2014 summary report had been actively promoted and disseminated to the public during town hall meetings, stimulating debate on extractives revenue management. SLEITI has promoted reports and their findings through TV and radio interviews, and by contributing to discussions on governance and transparency during meetings with stakeholders. The documented activities were for reports covering 2012 to 2014. However, there has been a significant slowdown in dissemination and outreach since the 2014 EITI Report as a result of Ebola outbreak, although the frequency of dissemination activities did not recover thereafter due to funding constraint. There is evidence of CSOs using data from the EITI Reports in past advocacy and research, although these reports are not recent and it appears that CSOs’ use of EITI data has slowed down considerably in recent years.

In accordance with Requirement 7.1, Sierra Leone should ensure timely dissemination of EITI data and findings as well as effective outreach to key stakeholders. It should also ensure that the SLEITI open data policy is implemented in practice. To strengthen implementation, Sierra Leone may wish to ensure that realistic workplan activities related to dissemination and outreach are duly implemented. Sierra Leone is encouraged to explore creative ways to disseminate EITI data to strengthen the EITI’s contribution to public debate.

To strengthen implementation, it is recommended that Sierra Leone updates the SLEITI website more regularly, especially when important new publications occur.

### Data Accessibility (#7.2)

#### Documentation of progress

SLEITI submitted summary data files for the 2015 and 2016 EITI Reports to the International Secretariat (*see Requirement 4.9*). However, no open data files were publicly available for the latest reporting year (2016) as of the start of Validation. Summary data for 2014 references the IMF Government Finance Statistics (GFS) classification and is now available through the International Secretariat website, but not on the SLEITI website. Nonetheless, the 2016 EITI Report has tied national Budget classification to IMF GFS (table 8.6 p. 73). SLEITI has developed summary reports for 2014, 2015 and 2016 reports but these have not been published on the SLEITI website (*see Requirement 7.1*).

The 2016 EITI Report contain some figures on the contribution of mineral resources revenues to government receipts (table 8.1 pp.78). The MCAS, launched in January 2012, is important in providing data on licenses and non-tax payments in an accessible manner to the public.[[258]](#footnote-270) The repository, which is owned and managed by the NMA, contains data on all mineral rights, their status and some payments are recorded by the NMA (*see Requirement 2.3*). Data from the EITI Reports have been used to improve the quality of data in the MCAS.

#### Stakeholder views

Government stakeholders consulted highlighted that Sierra Leone had strong potential to move towards systematic disclosures of EITI data through the online MCAS repository. However, they highlighted that there was still further work required on the MCAS, particularly in improving data quality, and ensuring that similar systems were developed within other government agencies such as the Petroleum Directorate.

A government representative explained that companies filed financial transparency reports on a quarterly basis (“Form C-23”), on which all payments to government were reported. Although companies’ filings were not yet publicly-accessible, government and industry representatives consulted indicated that there was no barrier to publishing these once they were approved by the MMMR. A company representative expressed no objections to disclosing EITI-related data to government but considered that disclosing such information on their own websites could potentially create a competitive disadvantage. A government representative highlighted that EITI Reports had already provided access to comprehensive data from the mining sector, but that there was nonetheless room for improvement.

#### Initial assessment

Requirement 7.2 encourages the MSGs to make EITI reports accessible to public in open data formats. Such efforts are encouraged but not required and are not assessed in determining compliance with the EITI Standard. Sierra Leone has made data for EITI Reports up to 2016 available in open formats, using the IMF’s Government Finance Statistics (GFS) classification. The online repository, Minerals Cadastre Administration System, has been strengthened with data from the EITI reports while improving on data accessibility.

Sierra Leone is encouraged to analyse and simplify data to improve the public’s understanding of such data. To improve on the clarity of companies’ reporting and available data, Sierra Leone may wish to ensure that non-reporting companies are also identified as such in the summary tables from reconciliation, so that non-reported revenues are not mistaken for lack of payments to government.

### Lessons Learned and follow-up on recommendations (#7.3)

#### Documentation of progress

*MSG input and follow-up*: Section D of the 2017 annual progress report[[259]](#footnote-271) provides an overview of the MSG’s responses and status to the recommendations from EITI Reports covering 2008-2014. Recommendations mostly relate to improving government and tax systems and EITI processes. The annual progress report also documents recommendations from the 2015 EITI Report, although no progress is recorded. The 2016 EITI Report documents progress made on some of the recommendations from previous reports.

Minutes of MSG meetings[[260]](#footnote-272) reflect MSG discussions on follow-up on recommendations from previous EITI Reports. The MSG’s technical committee is responsible for coordination and follow-up on recommendations from reports. The minutes of the technical committee meetings presents evidence of these discussions, covering recommendations from 2008-2016 EITI reports.[[261]](#footnote-273) Review of MSG minutes of meeting shows that the MSG provides input into the recommendations before the reports are published.

*Discrepancies*: Gaps that led to discrepancies in 2014 were mainly the result of non-reporting by eight material companies. Aggregate non-reconciled discrepancies amounted to an aggregate of 16% of reconciled government revenues. There was a significant drop in discrepancies in 2015 with aggregate discrepancy representing 7.2% of reconciled government revenues. The 2016 EITI Report shows a further drop, with aggregate discrepancies representing 0.6% of reconciled government revenues, mainly due to non-disclosure of community development payments by government.

The 2017-2019 SLEITI workplan includes activities to resolve discrepancies in EITI Reports but the 2017 annual progress report[[262]](#footnote-274) notes that activities related to investigating discrepancies have not received sufficient attention. However, there is evidence of follow up on investigating discrepancies from the 2012 EITI Report in MSG meeting minutes.[[263]](#footnote-275) the MSG meeting minutes indicate that internal systems have improved by increased attention to payment vouchers and receipts being issued, particularly for subnational transactions.

*Reforms*: There are on-going reforms in the extractive sector linked to EITI implementation and follow-up on EITI recommendations. One example is the recommendation on standardisation and transparency in payment and collection of surface rental payments.[[264]](#footnote-276) Another includes the need toring fence accounts in connection with mining leases, i.e. project-level reporting,which are addressed in the draft Minerals Policy.[[265]](#footnote-277) Also, the Extractive Industry Revenue Task Force[[266]](#footnote-278) appears to have been established as a result of follow-up on EITI recommendations, leading to the development of the Extractive Industries Revenue Act.[[267]](#footnote-279) The Act also touches on capital gains tax for the extractives, a significant concern for government .

Publication of mining agreements is another major achievement linked to follow-up on EITI recommendations, with major concession agreements now published on the MMMR website[[268]](#footnote-280) and the Resource Contracts website.[[269]](#footnote-281)

Stakeholder views

A government representative highlighted that reconciliation had been challenging over the years, given the number of government accounts from which it was necessary to collect data - This contributed to the opening of a single treasury account in late 2017 because of the PFM Act, with the potential to improve the reconciliation process in the future.

Another representative highlighted that EITI Reports had been used for investigations by the Anti-Corruption Commission (ACC) and that recommendations of the report brought about demand for accountability at the local level. The ACC claims that CSOs focused on extractives issues were not actively involved in advocating and pushing for reforms based on findings of EITI Reports.

One CSO representative highlighted that some recommendations from EITI Reports had led to the creation of Extractive Industry Revenue Act. Findings from EITI Reports had also been used to commission research which fed into wider reforms in the extractive industries. They confirmed that SLEITI enable discussions on findings from EITI Reports both at the national and local levels. Also, stakeholders claim SLEITI has succeeded in attaining political will for addressing recommendations from the reports

Most recommendations of EITI Reports were directed to NMA, consultations indicated that there were follow up to the recommendation however implementation remains a challenge.

According to civil society representatives consulted, the Extractive Industry Revenue Task Force (EIRT) was constituted in 2013 as a result of recommendation from the EITI reports, initially as an informal mechanism to address various issues in relation to the EITI. However, consultations have shown that the task force had become a relevant an effective coordination mechanism to enable information transfer between mining companies and government. They explained that the EIRT conducted outreach activities to engage with tax payers and formulate strategies to ensure that information reached all mining companies. The taskforce is hosted by the NMA, and brings together the NRA, the NMA, the Petroleum Directorate, SLEITI, the Forestry Division, and key development partners.

According to stakeholders, in response to recommendations from the previous EITI report, the Mining Cadastre System (MCAS) was set up in 2009 as a solution for the need to improve license management, which has been a huge asset to the SLEITI process, and some financial information is available.

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. The multi-stakeholder group, through their technical committee, have followed up on recommendations from past EITI Reports. The 2017 annual progress report documents progress on following up on past EITI recommendations, and some reforms could be directly linked to follow-up on EITI recommendations. There is evidence of MSG investigation of discrepancies in EITI reporting, which have significantly dropped in recent years (2014-2016).

To strengthen implementation, Sierra Leone is encouraged to strengthen its mechanisms for following up on recommendations from past EITI Reports and Validation and could consider developing remedial action plans to follow up on recommendations of EITI Reports.

### Outcomes and impact of implementation (#7.4)

#### Documentation of progress

SLEITI has produced five annual progress reports covering 2013-2017, available on the SLEITI website.[[270]](#footnote-282) The MSG approved the 2017 annual progress report in July 2018, which was published on the international EITI website ahead of Validation.[[271]](#footnote-283) Although SLEITI did not publish it on their own website until October 2018. The 2017 annual progress report provided a summary of activities as well as progress against overall objectives and goals set out in the work plan. The annual progress report highlights that MSG members shared the annual progress report within their constituencies, however, there is no publicly available evidence, including from MSG minutes to back this claim.

The assessment of the 2017 annual progress report shows that it provides an adequate overview of activities carried out in 2017. Some of the activities include proving input to the National Corporate Governance Code[[272]](#footnote-284) which led to the reviews of the Companies Act 2014[[273]](#footnote-285), Mines and Minerals Act 2009[[274]](#footnote-286) and National Minerals Agency Act 2012[[275]](#footnote-287) to include provisions on BO. Other activities include workshop on good financial governance in the extractive sector. These activities supposedly led to the creation of the Extractive Industry Revenue Taskforce (EIRT). The EIRT brought increased collaboration among stakeholders which influenced the drafting of the Extractive Industry Revenue Act.[[276]](#footnote-288)

The 2017 annual progress report records the MSG’s efforts towards considering the encouraged aspects of the EITI Standard, such as revenue management and expenditure, beneficial ownership, contract disclosures and data accessibility. The report provides a summary of progress against meeting each EITI requirement.

An overview of the MSG’s responses and follow-up on EITI recommendations from the 2008-2008-2014 EITI Reports is also provided in the 2017 annual progress report. It indicates the level of progress on each recommendation and identifies the responsible government entity. However, there is no information on level of progress for five recommendations. In some instances, the annual progress report provides explanations of the reasons why recommendations were not addressed.

The annual progress report records assessment of performance against seven targets and activities set out in the 2017-2019 SLEITI work plan. It provides an account of strengths and weaknesses identified in the EITI process in Sierra Leone, and the recent transfer to the Vice President’s Office to ensure political leadership and sustainability. The MSG’s self-assessment of impacts and outcomes is included[[277]](#footnote-289)in the APR. the APR highlight the impact of EITI implementation on the naturals resource governance which includes significant decline in discrepancies between companies’ payments and government receipts[[278]](#footnote-290), revisions to the Sierra Leone Minerals Policy and the Artisanal Minerals Policy and driving government institutions such as the National Revenue Authority to improve on their revenue recording practices.

#### Stakeholder views

None of the stakeholders consulted made any comment on the APR or about the MSG’s assessment of the impact of implementation through the APR (or other means), however there were a lot of views on the impact of the EITI process in Sierra Leone (see Impact Analysis).

#### Initial assessment

The International Secretariat’s initial assessment is that Sierra Leone has made satisfactory progress in meeting this requirement. The 2017 annual progress report provides an overview of activities carried out in 2017 and an assessment of progress towards individual EITI Requirements. It documents the MSG’s responses and follow-up on past EITI recommendations. It provides an assessment of progress made against the workplan objectives and the MSG’s assessment of impacts and outcomes of EITI implementation.

To strengthen implementation and enhance on usefulness of annual progress reports, Sierra Leone is encouraged to undertake a more systematic review of the impact of EITI implementation.

Table 7: Summary initial assessment table: Outcomes and impact

|  |  |  |
| --- | --- | --- |
| EITI provisions | Summary of main findings | Validator’s recommendation on compliance with the EITI provisions |
| Public debate (#7.1) | The 2015 and 2016 EITI Reports are written in clear English and have been published ahead of the commencement of Validation (see Requirement 4.8). The 2014 summary report had been actively promoted and disseminated to the public during town hall meetings, stimulating debate on extractives revenue management. SLEITI has promoted reports and their findings through TV and radio interviews, and by contributing to discussions on governance and transparency during meetings with stakeholders. The documented activities were for reports covering 2012 to 2014. However, there has been a significant slowdown in dissemination and outreach since the 2014 EITI Report as a result of Ebola outbreak, although the frequency of dissemination activities did not recover thereafter due to funding constraint. There is evidence of CSOs using data from the EITI Reports in past advocacy and research, although these reports are not recent and it appears that CSOs’ use of EITI data has slowed down considerably in recent years. | Meaningful Progress |
| Data accessibility (#7.2) | Requirement 7.2 encourages the MSGs to make EITI reports accessible to public in open data formats. Such efforts are encouraged but not required and are not assessed in determining compliance with the EITI Standard. Sierra Leone has made data for EITI Reports up to 2016 available in open formats, using the IMF’s Government Finance Statistics (GFS) classification. The online repository, Minerals Cadastre Administration System, has been strengthened with data from the EITI reports while improving on data accessibility. |  |
| Lessons learned and follow up on recommendations (7.3) | The multi-stakeholder group, through their technical committee, have followed up on recommendations from past EITI Reports. The 2017 annual progress report documents progress on following up on past EITI recommendations, and some reforms could be directly linked to follow-up on EITI recommendations. There is evidence of MSG investigation of discrepancies in EITI reporting, which have significantly dropped in recent years (2014-2016). | Satisfactory Progress |
| Outcomes and impact of implementation (#7.4) | The 2017 annual progress report provides an overview of activities carried out in 2017 and an assessment of progress towards individual EITI Requirements. It documents the MSG’s responses and follow-up on past EITI recommendations. It provides an assessment of progress made against the workplan objectives and the MSG’s assessment of impacts and outcomes of EITI implementation. | Satisfactory Progress |
| **Secretariat’s corrective Actions:**   1. In accordance with **Requirement 7.1**, Sierra Leone should ensure timely dissemination of EITI data and findings as well as effective outreach to key stakeholders. It should also ensure that the SLEITI open data policy is implemented in practice. To strengthen implementation, Sierra Leone may wish to ensure that realistic workplan activities related to dissemination and outreach are duly implemented. Sierra Leone is encouraged to explore creative ways to disseminate EITI data to strengthen the EITI’s contribution to public debate.   **Secretariat’s recommendations:**   1. To strengthen implementation, it is recommended that Sierra Leone updates the SLEITI website more regularly, especially when important new publications occur. 2. Sierra Leone is encouraged to analyse and simplify data to improve the public’s understanding of such data. To improve on the clarity of companies’ reporting and available data, Sierra Leone may wish to ensure that non-reporting companies are also identified as such in the summary tables from reconciliation, so that non-reported revenues are not mistaken for lack of payments to government. 3. To strengthen implementation, Sierra Leone is encouraged to strengthen its mechanisms for following up on recommendations from past EITI Reports and Validation and could consider developing remedial action plans to follow up on recommendations of EITI Reports. 4. To strengthen implementation and enhance on usefulness of annual progress reports, Sierra Leone is encouraged to undertake a more systematic review of the impact of EITI implementation | | |

## 

## 8. Impact analysis

#### Impact

There are several visible effects of the EITI process in Sierra Leone, such as current debates and recent contributions to reforms on revenue management. There has been a significant drop in revenue generated by the sector from USD 74 million in 2013 to USD 26 million in 2016 because of the fall in commodity prices and the Ebola crisis. However, the mining and petroleum sectors have the potential to increase domestic resource mobilisation by attracting quality investment because of the government’s commitment to transparency.

The recent draft Minerals Policy specifically mentions EITI and reflects several inputs from SLEITI; the creation of the Extractive Industry Revenue Unit, as well as EITI related requirements on beneficial ownership disclosure and project-level reporting by enforcing existing laws that require ring-fencing of corporate accounts. The policy, among other workstreams, has provided the MSG and SLEITI secretariat grounds to continue contributing to reforms in the extractive sector especially through the planned review of the Minerals and Mines Act 2009. The EITI process has contributed to revenue transparency and has remained a source of reference to strengthen the license registry, or MCAS. The issue of minerals rights changing hands without payment of capital gains tax after its introduction in 2015, has been flagged as recommendations in EITI Reports and is currently being addressed through the Extractive Industry Revenue Act 2018 as well as efforts linked to the MSG and its members. But despite the above effects of the EITI process in Sierra Leone, several stakeholders indicated that the EITI Standard is not always viewed as fully relevant for Sierra Leone. Artisanal and small-scale mining has not yet been covered sufficiently by the process, although it accounts for roughly 60% of the diamond sector in Sierra Leone and has been a significant contributing factor to conflict in the country.

Important challenges in public financial management remain, especially as it concerns oversight of payments and transfers at the local level. However, there is potential for systematically disclosing data in Sierra Leone even though much work is needed in terms of comprehensiveness, data quality and ensuring adequate IT infrastructure within government and corporate systems. By institutionalising transparency, SLEITI can become a process of collating existing information and analyse gaps in government and corporate reporting in Sierra Leone. It is now apparent the EITI process could be used to disclose so-called ‘C-forms’ that companies file with the National Minerals Agency, which may alleviate some of the above challenges.[[279]](#footnote-291) The C-20 on annual reporting on community development activities and C-23 on financial transparency are obvious candidates, as they can contribute to (i) greater subnational revenue transparency and (ii) more timely revenue data. Beneficial ownership disclosure and contract transparency also have the potential to further strengthen government systems in the extractive sector, if institutionalisation takes place.

SLEITI has provided an important opportunity to open management of the extractive sector to a wide range of stakeholders including companies and civil society, all of which are represented on the MSG. According to several of these stakeholders, particularly from government, EITI implementation has reduced the traditional opacity of the extractive industry. SLEITI has also been a catalyst for the recent online publication of all re-negotiated contracts, as well as a vehicle for improving disclosure of beneficial ownership through EITI Reporting. There are now plans to connect the MCAS to a database called Open Corporate[[280]](#footnote-292), which will help to reveal ownership connection at international level.[[281]](#footnote-293)

EITI Reports have been a central source of information and a tool for government oversight within the extractive sector and mining communities. These same stakeholders confirm that citizens (especially in mining areas) are now more aware on the operations of mining companies. Electorates now ask elected Members of Parliament on accountability and transparency on mining revenues. Also, linked to the EITI process, the Public Financial Management Act 2016, which replaces the Government Budgeting and Accountability Act 2005, gives the people the first legal instrument explicitly dedicated to management of extractive revenues.

#### Sustainability

Financial sustainability is one of SLEITI’s greatest challenges. The EITI process relies on support from development partners. The SLEITI work plan for 2017-2019 indicates a lot of activities, possibly becoming over-ambitious considering the resource-constraints. The projection is the 2017 and 2018 report will cost about USD 80 000 each, which SLEITI recently confirmed that the World Bank will provide funding for. However, funding for other activities of the work plan has proved challenging for SLEITI in the past. To continue to secure funding from the development partners, SLEITI needs to show clear initiative on the needs to take the EITI process beyond reporting.

A draft SLEITI bill has been put on hold, which would have given SLEITI autonomy and it would have addressed the issue of sustainability of the EITI process in the country; SLEITI would have had a source of funding in the national budget. However, this process has been discouraged as having a SLEITI law may hinder the flexibility which is needed for mainstreaming reporting in Sierra Leone, as well as taking on new developments of the EITI and associated requirements.

Positioning the leadership of EITI process in the office of the vice president is advantageous to SLEITI. It has the potential to add value to the EITI process given that the Vice President will provide the political capital needed to push for reforms guided by EITI requirements. With political will, SLEITI could prioritise to invigorate the leadership by reconstituting the MSG. If effective, it could assist government agencies in their understanding of revenues and potential leaks, in assessing whether licenses had been granted in accordance with law and improve regulation of artisanal and small-scale mining.

# Annexes

### Annex A: List of MSG members

|  |  |  |
| --- | --- | --- |
| Institution(s) | | Names |
| Office of the Vice President | Minister of State Office | Francess Piagie Alghali |
| Sheku B. Samai |
| Swalihu K. Jusu |
| Government | Audit Service Sierra Leone | Abdul Aziz |
| Morrie Lansana |
| Aruna Abu |
| Parliament | Hon. Sidie M. Tunis |
| National Revenue Authority | Ibrahim Sorie Kamara |
| Abu B. Tarawalie |
| Mohamed Jalloh |
| Donald Williams |
| Ministry of Finance & Economic Development | Mohamed Amara Salisu |
| Petroleum Directorate | Amadu Mansaray |
| Sabieu Conteh |
| Environmental Protection Agency | Paul Lamin |
| Ministry of Fisheries & Marine Resources | Mohamed Jalloh |
| Sahr Philip Morsay |
| Ministry of Mines and Mineral Resources | Martin Jimmy |
| Theresa Williams |
| Ministry of Agriculture, Forestry & Food Security | *No representative identified* |
| National Minerals Agency | Peter Bangura |
| Yusuf Dauda Suma |
| Jozef Masseroli |
| Mohamed Sallieu Bah |
| Office of National Security | Isatu Konneh |
| Local Council Association | Sadiq Silla |
| Sahr Moigua |
| Corporate Affairs Commission | Prince B. Williams |
| Civil Society | Sierra Leone Association of Journalists | Moses Kargbo |
| Ahmed S. Naseralla |
| National Advocacy Coalition on Extractives | Abu Brima |
| Joseph Rahall |
| Kadi Jumu |
| Cecilia C. Mattia |
|
| Mining Companies | Octea Holdings | Ibrahim Turay |
| Shandong Steel Mining Limited | *No representative identified* |
| Sierra Rutile | Aminata Kamara |
| Sierra Leone Mining Company | Saticon Conteh |

### Annex B: MSG meeting attendance

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **MSG ATTENDANCE 2017** | |  |  |  |  |  |  |  |  |  |  |
|  |  |  | **2017** | | | | | | | |  |
|  | **Organisation** | **Name** | **03 Feb** | **16 Feb** | **09 May** | **18 May** | **09 Jun** | **29 Jun** | **11 Aug** | **14 Nov** | **Total** |
| **(1st)** | **(2nd)** | **(3rd)** | **(4th)** | **(5th)** | **(6th)** | **(7th)** | **(8th)** |
| **Government** | Office of the Chief of Staff | Saidu Conton Sesay |  |  |  |  |  |  |  |  | 2 |
| Harry Bradwell |  |  |  |  |  |  |  |  | 4 |
| **Represented** |  |  |  |  |  |  |  |  | 4 |
| Audit Service of Sierra Leone | Aziz Turay |  |  |  |  |  |  |  |  | 0 |
| Sinneh Kargbo |  |  |  |  |  |  |  |  | 2 |
| Aruna Abu |  |  |  |  |  |  |  |  | 1 |
| **Represented** |  |  |  |  |  |  |  |  | 2 |
| Parliament | Hon. Sidie M. Tunis |  |  |  |  |  |  |  |  | 1 |
| **Represented** |  |  |  |  |  |  |  |  | 1 |
| Ministry of Mines and Minerals | Dorcas H. King |  |  |  |  |  |  |  |  | 1 |
| Theresa Williams |  |  |  |  |  |  |  |  | 4 |
| **Represented** |  |  |  |  |  |  |  |  | 4 |
| National Revenue Authority | Abu B. Tarawalie |  |  |  |  |  |  |  |  | 3 |
| Donald S. Williams |  |  |  |  |  |  |  |  | 2 |
| Alhaji S. Kamara |  |  |  |  |  |  |  |  | 3 |
| Mohamed Jalloh |  |  |  |  |  |  |  |  | 1 |
| Edna Kanu |  |  |  |  |  |  |  |  | 1 |
| Beatrice Momodu |  |  |  |  |  |  |  |  | 2 |
| **Represented** |  |  |  |  |  |  |  |  | 8 |
| Ministry of Finance & Economic Development | Naim Merimeche |  |  |  |  |  |  |  |  | 4 |
| Mohamed A. Salisu |  |  |  |  |  |  |  |  | 1 |
| Peter J. Bangura |  |  |  |  |  |  |  |  | 1 |
| Adama Hawa Bah |  |  |  |  |  |  |  |  | 2 |
| Haja Aminata Daramy |  |  |  |  |  |  |  |  | 2 |
| **Represented** |  |  |  |  |  |  |  |  | 6 |
| Petroleum Directorate | Amadu Mansary |  |  |  |  |  |  |  |  | 6 |
| **Represented** |  |  |  |  |  |  |  |  | 6 |
| Environmental Protection Agency | Paul A. Lamin |  |  |  |  |  |  |  |  | 1 |
| Veronica Koroma |  |  |  |  |  |  |  |  | 3 |
| **Represented** |  |  |  |  |  |  |  |  | 4 |
| Ministry of Fisheries & Marine Resources | Mohamed Jalloh |  |  |  |  |  |  |  |  | 2 |
| Patrick S. Sundifu |  |  |  |  |  |  |  |  | 1 |
| **Represented** |  |  |  |  |  |  |  |  | 3 |
| National Minerals Agency | Arnold W. Nohdje |  |  |  |  |  |  |  |  | 1 |
| Peter Bangura |  |  |  |  |  |  |  |  | 0 |
| Mohamed Sallieu Bah |  |  |  |  |  |  |  |  | 5 |
| Konstantin Born |  |  |  |  |  |  |  |  | 2 |
| **Represented** |  |  |  |  |  |  |  |  | 6 |
| Office of National Security | Isatu A. Konneh |  |  |  |  |  |  |  |  | 0 |
| **Represented** |  |  |  |  |  |  |  |  | 0 |
| Local Council Association | Sadiq Silla |  |  |  |  |  |  |  |  | 0 |
| **Represented** |  |  |  |  |  |  |  |  | 0 |
| **Civil society** | National Advocacy Coalition on Extractives | Kadi Jumu |  |  |  |  |  |  |  |  | 1 |
| Joseph Rahall |  |  |  |  |  |  |  |  | 5 |
| Abu Brima |  |  |  |  |  |  |  |  | 2 |
| Cecilia Mattia |  |  |  |  |  |  |  |  | 3 |
| Dr Mustapha O. Thomas |  |  |  |  |  |  |  |  | 2 |
| **Represented** |  |  |  |  |  |  |  |  | 8 |
| Sierra Leone Association of Journalists | Moses Kargbo |  |  |  |  |  |  |  |  | 4 |
| Ahmed Nasralla |  |  |  |  |  |  |  |  | 2 |
| **Represented** |  |  |  |  |  |  |  |  | 5 |
| **Companies** | Mining Companies | Neima Macfoy |  |  |  |  |  |  |  |  | 7 |
| Aminata Kamara |  |  |  |  |  |  |  |  | 2 |
| **Represented** |  |  |  |  |  |  |  |  | 7 |
|  |  | **Quorum**: | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes |  |
|  | | | **Total attendance of Institutions:** | | | | | | | | 53 % |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **MSG ATTENDANCE 2018** | |  |  | |
|  |  |  |  | |
|  | **Organisation** | **Name** | **28 Jun** | **Total** |
| **(1st)** |
| **Government** | Office of the Vice President | Francess Piagie Alghali |  | 1 |
| Sheku B. Samai |  | 1 |
| Swalihu K. Jusu |  | 1 |
| **Represented** |  | 1 |
| Audit Service of Sierra Leone | Abdul Aziz |  | 0 |
| Morrie Lansana |  | 0 |
| Aruna Abu |  | 0 |
| **Represented** |  | 0 |
| Parliament | Hon. Sidie M. Tunis |  | 0 |
| **Represented** |  | 0 |
| Ministry of Mines and Minerals | Martin Jimmy |  | 0 |
| Dorcas Haan-King |  | 1 |
| **Represented** |  | 1 |
| National Revenue Authority | Ibrahim Sorie Kamara |  | 0 |
| Abu B. Tarawalie |  | 1 |
| Mohamed Jalloh |  | 1 |
| Donald Williams |  | 0 |
| **Represented** |  | 1 |
| Ministry of Finance and Economic Development | Mohamed A. Salisu |  | 1 |
| Peter J Bangura |  | 1 |
| **Represented** |  | 1 |
| Petroleum Directorate | Amadu Mansaray |  | 1 |
| Sabieu Conteh |  | 0 |
| **Represented** |  | 1 |
| Environmental Protection Agency | Paul A. Lamin |  | 1 |
| **Represented** |  | 1 |
| Ministry of Fisheries & Marine Resources | Sahr Philip Morsay |  | 0 |
| **Represented** |  | 0 |
| National Minerals Agency | Peter Bangura |  | 0 |
| Yusuf Dauda Suma |  | 1 |
| Jozef Masseroli |  | 0 |
| Mohamed Sallieu Bah |  | 0 |
| **Represented** |  | 1 |
| Office of National Security | Isatu A. Konneh |  | 0 |
| **Represented** |  | 0 |
| Corporate Affairs Commission | Prince B. Williams |  | 0 |
| **Represented** |  | 0 |
| Local Council Association | Sadiq Silla |  | 0 |
| Sahr Moigua |  | 0 |
| **Represented** |  | 0 |
| **Civil society** | National Advocacy Coalition on Extractives | Kadi Jumu |  | 0 |
| Joseph Rahall |  | 0 |
| Abu Brima |  | 0 |
| Dr Mustapha O. Thomas |  | 1 |
| Cecilia Mattia |  | 0 |
| **Represented** |  | 1 |
| Sierra Leone Association of Journalists | Moses Kargbo |  | 0 |
| Ahmed Nasralla |  | 0 |
| **Represented** |  | 0 |
| **Companies** | Mining Companies | Ibrahim Turay |  | 0 |
| Aminata Kamara |  | 0 |
| Neima Macfoy |  | 1 |
| Saticon Conteh |  | 0 |
| **Represented** |  | 1 |
|  |  | **Quorum:** | Yes |  |
| **Total attendance of institutions:** | | | 56 % | |

### Annex C: Cost of EITI Reports

|  |  |
| --- | --- |
| SLEITI Reporting year | Report cost |
| 2014 | SLL 264 250 000.00 |
| 2015\* | USD 80 000.00 |
| 2016\* | USD 80 000.00 |
| 2017\*\* | USD 80 000.00 |
| 2018\*\* | USD 80 000.00 |
| *\*Estimates based on an aggregate of USD 320 000 for SLEITI Reporting for 2015-2018, from 2017-2019 Strategic work plan. \*\*2017 and 2018 are estimates for future reporting.* | |

### Annex D: List of stakeholders

#### Government

**Audit Service Sierra Leone**: Lara Taylor-Pearce, Mohamed J-Banie, Morie Lansana, Selvin Bell and Sinneh Kargbo;   
**Bank of Sierra Leone**: Dr Ibrahim Stevens, Hassan Tejan, Ibrahim Sesay, Princess Kanu, Ralph Ansumana, Tapsiru Dainkeh and Thomas Boima;   
**Corporate Affairs Commission**: Prince B. Williams;   
**Directorate of Science, Technology and Innovation (DSTI)**: Moinina David Sengeh;   
**Environmental Protection Agency**: Momodu Alrashid Bah, Omotunde Godwyn-Shears and Veronica Koroma;   
**Minister of State**: Francess Piagie Alghali;   
**Ministry of Finance and Economic Development**: Mohamed A. Salisu and Peter J. Bangura;   
**Ministry of Lands and Rural Development**: Abdulai Koroma;   
**Ministry of Local Government & Rural Development**: Anthony Brewah;   
**Ministry of Mines and Mineral Resources**: Brima M. Sowa, Daniel Gbondo, Evelyn Daphne Blackie, Foday Sesay, Martin A. Jimmy and Theresa Williams;   
**National Minerals Agency**: Allusine Timbo, Cedric Palmer, Josef Masseroli, Mohamed Sallieu Bah, Sahr Wonday and Yusuf Dauda Suma;   
**National Revenue Authority**: Abu B. Tarawalie, Donald Samuel Williams, Edward S. M. Siaffa, Mohamed J. Foday, Mohamed Jalloh and Samuel S. Jibao;   
**Office of the Vice President**: Sheku B. Samish;   
**Petroleum Directorate**: Amadu Mausoway, James B Bio, Joseph Munda Sandi and Sabieu Conteh;   
**Statistics Sierra Leone**: Momodu M. Kamara, Sahr Yambasu and Samuel Turay.

#### Parliament

**Member of Parliament**: Hon. Sidie M. Tunis

#### Industry

**Gerald Group**: Alejandro Skidelsky;   
**Iluka Resources Limited**: Wendy Chen;   
**Koidu Holding Limited**: Ibrahim Turay and Sylvia Kargbo;   
**Shandong Steel**: Ismatu Jalloh and Kosonike A. Coker;   
**Sierra Leone Mining Company**: Adam Jake;   
**Sierra Minerals Holding No 1 Limited**: Abdul Bangura and Ekundayo Kofi Roberts;   
**Sierra Rutile Limited**: Aminata Kamara, Maurice Cole and Mohamed Kamsa.

#### Civil Society

**Budget Advocacy Network**: Abdulraman M. Sesay;   
**Campaign for Good Governance**: Victor Graff;   
**Campaign for Just Mining-Sierra Leone**: Hajie Bah;   
**Centre for Accountability & Rule of Law (CARL)**: Dr Gassan Abess;   
**National Advocacy Coalition on Extractives (NACE)**: Cecilia C. Mattia and Joseph Rahall;   
**Transparency International Sierra Leone**: Salamatu Mansaray;   
**Women on Mining & Extractives**: Dauda Massaquoi.

#### Development partners

**Gesellschaft für Internationale Zusammenarbeit**: Kathrin Russner;   
**International Monetary Fund**: Mathew Sandy;   
**World Bank**: Hussinatu Lanla Yilla.

#### Media

**Premier News**: A. B Munu;  
**Standard Times:** Mohamed Konneh;  
**Concord Times:** Ibrahim Tarawalle;  
**Association of Journalist of Mining & Extractives:** Theophilus Sahr Gbenda

#### Others

**CEMMATS Group Limited**: Andrew K. Keili;   
**BDO Consulting**: Abu Koroma, Brinsley Johnson and Nigel Roach;   
**Boas and Associates:** Kwaku Boa-Amponsem, Asafo-Aidoo Kojo, Freda Effah and Kwasi Boakye;   
**Sierra Leone EITI (SLEITI)**: Annie Lansana, Deborah Massaquia, Mina Horace and Mohamed F. Conteh.

### Annex E: List of reference documents

Key documents and sources are listed below. Please see footnotes for further references.

#### Workplans and Annual activity reports:

* 2017 SLEITI Annual Progress Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/2017-sleiti-annual-progress-report/download>
* 2016 SLEITI Annual Progress Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/annual-progress-report-2016/download>
* 2015 SLEITI Annual Progress Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/annual-progress-report-2015/download>
* 2014 SLEITI Annual Progress Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/annual-activity-report-2014/download>
* 2013 SLEITI Annual Progress Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/annual-activity-report-2013/download>
* SLEITI Medium and Short-Term Communications and Visibility Plan 2018-2019. Available at: <http://www.sleiti.gov.sl/index.php/documents/sleiti-medium-short-term-communications-and-visibility-plan-2018-2019/download>
* 2017-2019 SLEITI Workplan. Available at: <http://sleiti.gov.sl/downloads/SLEITI-workplan-2017-2019.xlsx>

#### EITI Reports, Summaries, Validation Report and Secretariat Review:

* 2016 SLEITI Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/2016-eiti-report/download>
* 2015 SLEITI Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/2015-eiti-report/download>
* 2015-2016 SLEITI Scoping Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/sleiti-2016-report-word-version/download>
* 2014 SLEITI Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/2014-eiti-report/download>
* 2013 SLEITI Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/sleiti-supplementary-report-2013/download>
* 2012 SLEITI Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/2012-eiti-report/download>
* 2008-2010 SLEITI Report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/sleiti-reconciliation-report-2008-2010/download>
* 2013 Validation report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/validation-reports/2013-validation-report/download>
* 2010 Validation report. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/validation-reports/2010-validation-report/download>
* Pre-Validation assessment scorecard for Sierra Leone. Available at: <http://www.sleiti.gov.sl/index.php/documents/pre-validation-self-assessment-scorecard-for-sierra-leone/download>

#### Legal documents and ToRs related to EITI implementation:

* SLEITI MSG Internal Governance Rules. Available at: <http://www.sleiti.gov.sl/index.php/documents/sleiti-msg-internal-governance-rules/download>
* Memorandum of Understanding between the Government of Sierra Leone, Civil Society, and the Extractive Industries for the Implementation of EITI. Available at: <http://www.sleiti.gov.sl/index.php/documents/sleiti-mou-2-1-pdf/download>

#### Other documents online:

* Adam Smith International, EITI Value Chain Analysis Sierra Leone. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/sleiti-reports/eiti-value-chain-analysis-sierra-leone/download>
* Beneficial Ownership Disclosure in Sierra Leone – A Legal and Institutional Review. Available at: <http://www.sleiti.gov.sl/index.php/documents/beneficial-ownership-disclosure-in-sierra-leone-a-legal-and-institutional-review/download>
* EITI website (2018), ‘Sierra Leone country page’, accessed in October 2018. Available: <https://eiti.org/sierra-leone#eiti-reports-and-other-key-documents>
* SLEITI Beneficial Ownership Roadmap – 21 November 2016. Available at: <http://www.sleiti.gov.sl/index.php/documents/draft-bo-roadmap-21st-november-2016-docx/download>
* Sierra Leone Web (2018), ‘Companies Act 2014’, accessed on 5 November 2018. Available at: <http://www.sierra-leone.org/Laws/2014-09.pdf>
* SLEITI MSG List-2018. Available at: <http://www.sleiti.gov.sl/index.php/documents/sleiti-msg-list-2018/download>
* SLEITI Open data policy. Available at: <http://www.sleiti.gov.sl/index.php/documents/final-sleiti-open-data-policy/download>
* SLEITI (2018), ‘Annual Activity Reports’, accessed in October 2018. Available at: <http://www.sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports>

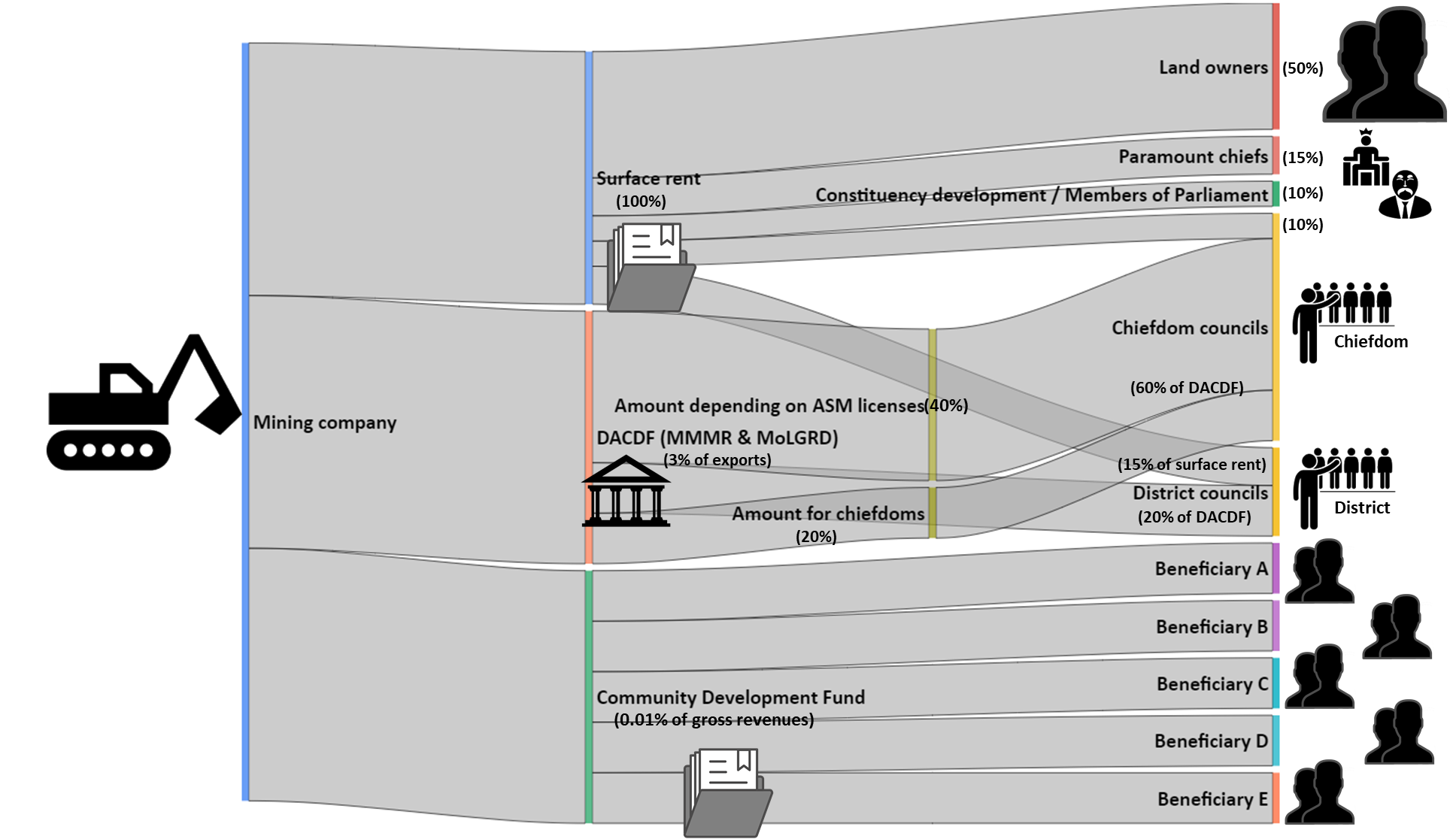
#### Meeting minutes:

* 1st MSG Meeting Minutes of 3 February 2017. Not published, made available by SLEITI.
* 2nd MSG Meeting Minutes of 16 February 2017. Not published, made available by SLEITI.
* 3rd MSG Meeting Minutes of 9 May 2017. Not published, made available by SLEITI.
* 4th MSG Meeting Minutes of 18 May 2017. Not published, made available by SLEITI.
* 5th MSG Meeting Minutes of 21 June 2017. Not published, made available by SLEITI.
* 6th MSG Meeting Minutes of 29 June 2017. Not published, made available by SLEITI.
* 7th MSG Meeting Minutes of 11 August 2017. Not published, made available by SLEITI.
* 8th MSG Meeting Minutes of 14 November 2017. Not published, made available by SLEITI.
* 1st MSG Meeting Minutes of 28 June 2018. Not published, made available by SLEITI.

#### Other government documents/reports:

* Corporate Affairs Commission (2018) National Corporate Governance Code (draft). Accessed in December 2018. Available at: <http://www.cac.gov.sl/IFC%20CAC%20code%20Nov%202017.pdf>
* National Minerals Agency (2018), ‘GoSL Online Repository, National Minerals Agency, Sierra Leone’, accessed on 9 October 2018. Available at: <https://sierraleone.revenuedev.org/>
* National Minerals Agency (2018), ‘Templates’, accessed on 23 November 2018. Available at: <https://gims.nma.gov.sl/templates>
* Sierra Leone Web (2018), ‘Laws of Sierra Leone’, accessed in November 2018. Available at: <http://www.sierra-leone.org/Laws/>

### Annex F: Cashflows from surface rent, community development funds, and diamond area community development fund



### Annex G: Types of recommendations in Sierra Leone EITI Reports

|  |  |  |  |
| --- | --- | --- | --- |
| EITI reporting | Public accessibility | Audit practices | Wider governance |
| Pre-2016 reports | | | |
|  | 1. Ensuring that there are better functioning accounting units in subnational entities to ensure greater transparency. |  | 2. Greater sectoral collaboration between government agencies.  3. Enforcement of ring-fencing of accounts, as per legislation  4. Enforcement of capital gains taxation, as none was reported during the EITI process.  5. Standardise and increase the frequency of royalty-payments, to ensure better predictability. |
| 2016 Sierra Leone EITI Report | | | |
| 1. Payments made by other entities on behalf of companies should also be reported proportionally, to ensure ample coverage of company figures. | 2. Centralise surface rent payments to ensure greater transparency.  3. Similarly for the DACDF.  4. And the Community Development Fund. |  | 5. Review terms of corporate taxes, including tax allowances. |

1. Adam Smith International (2010), ‘Sierra Leone Extractive Industries Transparency Initiative Validation Report – Final’, accessed in February 2018, p.14. Available at: <https://eiti.org/sites/default/files/documents/2010_sierra_leone_validation_report.pdf> [↑](#footnote-ref-2)
2. EITI (April 2014), ‘Sierra Leone declared EITI Compliant’, accessed in February 2018. Available at: <https://eiti.org/news/sierra-leone-declared-eiti-compliant> [↑](#footnote-ref-3)
3. SLEITI (2017), ‘SLEITI Workplan 2017-2019’, accessed in November 2018. Available at: <http://sleiti.gov.sl/downloads/SLEITI-workplan-2017-2019.xlsx> [↑](#footnote-ref-4)
4. SO1: Improved coordination among MDAs to achieve completeness of extractive industry revenue mapping and reporting, SO2: Strengthened transparency and accountability provisions in the legal, policy and regulatory frameworks for governance of the Extractive Industries sector in S. Leone, SO3: Extension of the Scope of SLEITI, SO4: Engagement with and training for reporting entities, SO5: Enhancement of SLEITI’s capacity to better achieve its objectives and SO6: Enhanced public education and improved access to information on extractives sector revenues and broader resource governance matters to enhance citizens ownership of the EITI Process. [↑](#footnote-ref-5)
5. SLEITI (2018), ‘SLEITI Annual Progress Report 2017’, p.22. Accessed in November 2018. Available at: <http://sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/2017-sleiti-annual-progress-report/download> [↑](#footnote-ref-6)
6. The Sierra Leone Telegraph (2018), ‘SLPP Manifesto 2018’ accessed 15 January 2019. Available at: <http://www.thesierraleonetelegraph.com/wp-content/uploads/2018/02/SLPP-MANIFESTO-2-02-2018-PDF.pdf> [↑](#footnote-ref-7)
7. Adam Smith International (2015), ‘EITI value chain analysis: Sierra Leone’, accessed in February 2018, p.6. Available at: <http://www.nra.gov.sl/sites/default/files/SL%20Value%20Chain%20Analysis%20Narrative%20Report.pdf> [↑](#footnote-ref-8)
8. World Bank (2018), ‘DataBank: Sierra Leone’, accessed on 30 November 2018. Available at: <https://data.worldbank.org/country/sierra-leone> [↑](#footnote-ref-9)
9. United Nations Development Programme (2018), ‘Human Development Reports: Sierra Leone’, accessed on 30 November 2018. Available at: [http://hdr.undp.org/en/countries/profiles/SLE#](http://hdr.undp.org/en/countries/profiles/SLE) [↑](#footnote-ref-10)
10. United Nations Development Programme (2006), ‘Evaluation of UNDP Assistance to Conflict-Affected Countries: Case Study Sierra Leone’, accessed on 30 November 2018. Available at: <http://web.undp.org/evaluation/documents/thematic/conflict/SierraLeone.pdf> [↑](#footnote-ref-11)
11. World Bank (2018), ‘DataBank: GDP growth Sierra Leone’, accessed on 30 November 2018. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=SL> [↑](#footnote-ref-12)
12. World Health Organization (2016), ‘Ebola situation report – 16 March 2016’, accessed on 30 November 2018. Available at: <http://apps.who.int/ebola/current-situation/ebola-situation-report-16-march-2016> [↑](#footnote-ref-13)
13. World Bank (2018), ‘DataBank: GDP growth Sierra Leone’, accessed on 30 November 2018. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=SL> [↑](#footnote-ref-14)
14. International Monetary Fund (2016), ‘2016 Article IV Consultation and Fifth Review Under the Extended Credit Facility’, accessed on 30 November 2018. Available at: <https://www.imf.org/external/pubs/ft/scr/2016/cr16236.pdf> [↑](#footnote-ref-15)
15. World Bank (2018), ‘Doing Business 2019: Economy Profile Sierra Leone’, accessed 30 November 2018. Available at: <http://www.doingbusiness.org/content/dam/doingBusiness/country/s/sierra-leone/SLE.pdf> [↑](#footnote-ref-16)
16. Agence de Presse Africaine (2018), ‘Sierra Leone hits MCC anti-graft target’, accessed on 5 December 2018. Available at: <http://apanews.net/en/news/sierra-leone-hits-mcc-anti-graft-target> [↑](#footnote-ref-17)
17. The Sierra Leone Telegraph (2017), ‘Sierra Leone fails again to meet the requirements for Millennium Challenge funding’, accessed on 5 December 2018. Available at: <https://www.thesierraleonetelegraph.com/sierra-leone-fails-again-to-meet-the-requirements-for-millennium-challenge-funding/> [↑](#footnote-ref-18)
18. SLEITI (2018), ‘2016 Sierra Leone EITI Report’, accessed in August 2018. Available at: <https://eiti.org/document/sleiti-2016-report> [↑](#footnote-ref-19)
19. See also <https://eiti.org/validation>. [↑](#footnote-ref-20)
20. The Sierra Leone Telegraph (2018), ‘SLPP Manifesto 2018’ accessed 15 January 2019. Available at: <http://www.thesierraleonetelegraph.com/wp-content/uploads/2018/02/SLPP-MANIFESTO-2-02-2018-PDF.pdf> [↑](#footnote-ref-21)
21. The Patriotic Vanguard (2018), ‘State Opening of Parliament: President Bio’s address’, accessed in October 2018. Available at: <http://www.thepatrioticvanguard.com/state-opening-of-parliament-president-bio-s-address> [↑](#footnote-ref-22)
22. EITI (2018), ‘EITI week in Dakar: Stepping up commitments at the Africa Beneficial Ownership Conference’, accessed on 21 November 2018. Available at: <https://eiti.org/blog/eiti-week-in-dakar-stepping-up-commitments-at-africa-beneficial-ownership-conference> [↑](#footnote-ref-23)
23. EITI (2018), ‘President of Sierra Leone, Julius Maada Bio: Address at the beneficial ownership conference’, accessed on 21 November 2018. Available at: <https://eiti.org/document/president-of-sierra-leone-julius-maada-bio-address-at-beneficial-ownership-conference> [↑](#footnote-ref-24)
24. National Minerals Agency (2018), ‘Vice-President Launches USD 20 million World Bank Project to Boost Mining in Sierra Leone’, accessed in November 2018. Available at: <http://www.nma.gov.sl/home/vice-president-launches-us-20-million-world-bank-project-to-boost-mining-in-sierra-leone/> [↑](#footnote-ref-25)
25. See

    Annex B: MSG meeting attendance [↑](#footnote-ref-26)
26. SLEITI (2018), ‘Request for Deferment of Sierra Leone’s Validation Schedule from July 2018 to January 2019’. Not published, maintained as internal records by EITI and SLEITI. [↑](#footnote-ref-27)
27. Adam Smith International (2010), ‘Sierra Leone Extractive Industries Transparency Initiative Validation Report – Final’, accessed in February 2018, p.11. Available at: <https://eiti.org/sites/default/files/documents/2010_sierra_leone_validation_report.pdf> [↑](#footnote-ref-28)
28. SLEITI (2018), ‘Governance Structure’, accessed in November 2018. Available at: <http://sleiti.gov.sl/index.php/about-sleiti/governance-structure> [↑](#footnote-ref-29)
29. SLEITI (2018), ‘SLEITI MSG List-2018’, accessed in November 2018. Available at: <http://sleiti.gov.sl/index.php/documents/sleiti-msg-list-2018/download> [↑](#footnote-ref-30)
30. See stakeholder consultations under Requirements 4.1 and 4.9 [↑](#footnote-ref-31)
31. SLEITI (2018), ‘SLEITI Annual Progress Report 2017’, accessed in November 2018. Available at: <http://sleiti.gov.sl/index.php/reports-and-documents/annual-activity-reports/2017-sleiti-annual-progress-report/download> [↑](#footnote-ref-32)
32. NRGI (March 2016), ‘Transfer Pricing in the Extractive Sector in Sierra Leone’, accessed in February 2018, p.6. Available at: <https://resourcegovernance.org/sites/default/files/documents/nrgi_sierra_leone_transfer-pricing-study.pdf> [↑](#footnote-ref-33)
33. National Minerals Agency (2018), ‘GoSL Online Repository, National Minerals Agency, Sierra Leone’, accessed on 9 October 2018. Available at: <https://sierraleone.revenuedev.org/> [↑](#footnote-ref-34)
34. SLEITI (n.d.), ‘MSG Meeting Minutes of 14 Nov 2017’. Not published, made available by the SLEITI secretariat. [↑](#footnote-ref-35)
35. Ibid. [↑](#footnote-ref-36)
36. SLEITI (2917), ‘SLEITI Investigation of Grievance Reported by Nimini, Ref. CONF/COS/EITI/47’. Not published, made available by the SLEITI secretariat [↑](#footnote-ref-37)
37. Adam Smith International (2015), EITI value chain analysis: Sierra Leone, accessed [here](http://www.nra.gov.sl/sites/default/files/SL%20Value%20Chain%20Analysis%20Narrative%20Report.pdf) in February 2018, p.21. [↑](#footnote-ref-38)
38. The draft policy was made available for the International Secretariat but not for wider dissemination until Parliamentary approval. [↑](#footnote-ref-39)
39. The first Validation under the EITI Standard (Azerbaijan 2016) established precedent for the Validation of requirement 1.3. The CSO protocol “operationalises” requirement 1.3. Each part of the CSO protocol speaks to specific parts of Requirement 1.3: 2.1 of the CSO protocol is intended to assess provisions 1.3(d), 1.3(e)(i), 1.3(e)(iv); 2.2 of the CSO protocol is intended to assess provisions 1.3.(b) and 1.3(c); 2.3 of the CSO protocol is intended to assess provision 1.3(e)(iii); 2.4 of the CSO protocol is intended to assess provisions 1.3.(a) and 1.3(e)(ii); and, 2.5 of the CSO protocol is intended to assess provision 1.3(d). [↑](#footnote-ref-40)
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105. Sierra Leone Web (2018), ‘The Mines and Minerals Act, 2009’, accessed on 20 November 2018. Available at: <http://www.sierra-leone.org/Laws/2009-12.pdf> [↑](#footnote-ref-106)
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109. Sierra Leone Web (2018), ‘The Petroleum Regulatory Act 2014’, accessed on 20 November 2018. Available at: <http://www.sierra-leone.org/Laws/2014-03.pdf> [↑](#footnote-ref-110)
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118. The reforms are the Revised Precious Minerals Trading Act, the new Draft Minerals Policy (currently awaiting Parliamentary approval), which call for a reform of the Mines and Minerals Act, the Extractives Industries Revenues Bill (enacted as of August 2018), and the Artisanal Mining Policy. For the petroleum sector, the report mentions that an amended Petroleum and Gas Law has been drafted and await ratification. [↑](#footnote-ref-119)
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126. Sierra Leone Web (2018), ‘The Mines and Minerals Act 2009’, section 11 (2) (j), accessed on 20 November 2018. Available at: <http://www.sierra-leone.org/Laws/2009-12.pdf> [↑](#footnote-ref-127)
127. National Minerals Agency (2018), ‘GoSL Online Repository, National Minerals Agency, Sierra Leone’, accessed on 9 October 2018. Available at: <https://sierraleone.revenuedev.org/license/93548> [↑](#footnote-ref-128)
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129. Petroleum Directorate (2018), ‘Director General of Sierra Leone Petroleum Directorate to consult with Petroleum Industry investors’, accessed on 20 November 2018. Available at: [↑](#footnote-ref-130)
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133. Accessed on 29 November 2018. [↑](#footnote-ref-134)
134. We located payments for Annual license fees, monitoring fees, license application fees, application for export of mineral or samples, royalties, and others. [↑](#footnote-ref-135)
135. Licenses for Sierra Rutile Limited (TIN 1000306-2), Tonkolili Iron Ore (SL) Limited (TIN 1001889-0, named S.D STEEL in the report), and KOIDU Limited (TIN 1001358-5) were assessed for this report. [↑](#footnote-ref-136)
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