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**RESOURCE**  
CONSULTING SERVICES

Sierra Leone Extractive  
Industries Transparency  
Initiative

Validation Report – Final



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## ACRONYMS

ACC	Anti-Corruption Commission
ADB	African Development Bank
AG	Auditor General
AGM	Annual General Meeting
AM	Artisanal Mining
AML	African Minerals Limited
ASA	Audit Service Act
ASI	Adam Smith International
ASYCUDA	Automated System for Customs Data
CGG	Campaign for Good Governance
CSO	Civil Society Organisations
DACDF	Diamond Area Community Development Fund
DFID	Department for International Development
DTD	Domestic Tax Department
GDO	Gold & Diamond Office
GoSL	The Government of Sierra Leone
GST	Goods and Service Tax
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
JAS	Joint Assistance Strategy
KPCS	Kimberley Process Certification Scheme
LTO	Large Taxpayer Office
MCO	Mining Cadastre Office
MDTF	Multi-Donor Trust Fund
MMA	Mines and Minerals Act
MMRPA	Ministry of Mineral Resources and Political Affairs
MOU	Memorandum of Understanding
MPPA	Ministry of Presidential and Public Affairs
MSG	Multi-Stakeholder Group
NACE	National Advocacy Coalition on Extractives
NMJD	Network Movement for Justice and Development
NRA	National Revenue Authority
OCOS	Office of the Chief Of Staff
ONS	Office of National Security
PS	Permanent Secretary
PWYP	Publish What You Pay
RCS	Resource Consulting Services
SLAJ	Sierra Leone Association of Journalists
SLEITI	Sierra Leone Extractive Industries Transparency Initiative
SPU	Strategy and Policy Unit
TOR	Terms of Reference



The SLEITI validation team comprised consultants from Adam Smith International (ASI) and Resource Consulting Services (RCS): Jeremy Weate, Harrison Mitchell, Luqman Ahmad, John Kanu and John Okrafo-Smart.



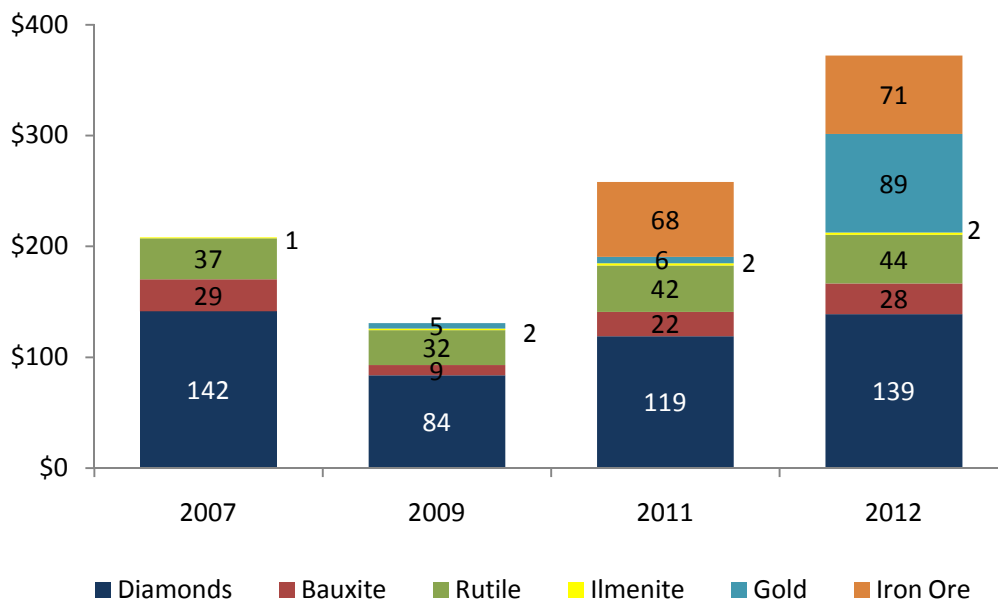


# A. INTRODUCTION

## 1. BACKGROUND

The extractive industries sector in Sierra Leone is at a transformative stage in its development. Sierra Leone has a long history of mining and although relatively small by international standards, the sector is extremely important for the national economy. After the war, the sector has been re-establishing itself, a few existing mines have been re-opened and a large number of exploration companies have been moderately investing in exploration. Since the end of the war, diamond, rutile and bauxite mining have recommenced, and as depicted in *Figure 1* below, the sector is expected to grow with the development of gold and iron ore deposits. This along with the potential for offshore oil has put the management of the sector at the centre of the government’s reform agenda. The Extractive Industries Transparency Initiative (EITI) along with the Kimberley Process Certification Scheme (KPCS), the new Mines and Minerals Act (MMA), the proposed Diamond Trading Act and the establishment of the National Minerals Agency collectively form the framework through which Government can effectively manage the sector.

Figure 1: Sierra Leone annual mineral exports and forecasts (US\$ millions)



As recognised by the Sierra Leone Extractive Industries Transparency Initiative (SLEITI) stakeholders, the most significant challenge to fully implementing EITI is the sizeable artisanal mining and diamond-trading sector.

The extractive industry in Sierra Leone has for the most part been associated with diamonds and solid minerals more broadly; this however is likely to change. With recent offshore drilling results published by Anadarko there is a large chance that Sierra Leone may become a junior oil producing country.

## 2. THE IMPORTANCE OF EITI IN SIERRA LEONE

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Sierra Leone is currently 146<sup>th</sup> on Transparency International's Corruption Perception Index, with a score of 2.2, similar to Russia, Zimbabwe and Cameroon. The status of EITI implementation in the country is included as an indicator under the Joint Assistance Strategy (JAS). The African Development Bank (ADB), the World Bank and the International Finance Corporation prepared the JAS for Sierra Leone. This strategy sets out planned lending and non-lending support to Sierra Leone, including possible investments, for the period 2010 to 2013. Improvements in this indicator also have an impact on the Country Performance Index Assessment (CPIA) rankings used by the World Bank. The status of EITI also has bearing on the Transparency International Corruption Index and also Sierra Leone's country credit ratings. Thus, for Sierra Leone to improve its position in these rankings, as well as in the eyes of the international business and development communities, successful implementation of EITI is crucial.

## 3. CALENDAR OF EVENTS FOR THE SLEITI

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- June 2006, Sierra Leone expressed intent to become an EITI candidate country
- 28 July 2007, launching of SLEITI, State House, Freetown
- 28-29 August 2007, two-day workshop to finalise & adopt the SLEITI work plan
- 15-17 October 2007. Nominated MSG members & SLEITI Champion participate in the 3<sup>rd</sup> Plenary Conference of the EITI in Oslo, Norway
- 16-18 February, 2008, MSG members participation at the 4<sup>th</sup> EITI Global Conference, Doha, Qatar
- February 22, 2008, Sierra Leone officially recognised as a candidate country by the International EITI
- 9-13 June, 2008, MSG members participate in the EITI/InWent seminar, Germany
- September 2008, MSG members' participate in the West Africa EITI Conference in Abuja, Nigeria
- 10-14 November 2008, MSG members participate in a seminar on "Implementing the EITI Best Practice & Tools", Berlin, Germany
- 12-14 May 2009, SLEITI National Coordinator's participation in the Second National Coordinators Meeting, Washington, DC
- 12-13 August 2009, Capacity building workshop for MSG (funded by Revenue Watch)
- 24-25 September 2009, MSG members participate in the Extractive Sector Conference, Yaoundé, Cameroon
- 1 – 2 December 2009, The SLEITI National Coordinator & one MSG member participate in the Governance of Extractive Industries Consultation, Accra, Ghana
- December 2009, Verdi Consulting, Inc., USA, contracted as the independent reconciler for the first SLEITI report
- 7 January 2010, stakeholders workshop on the reconciliation exercise
- March 2010, SLEITI Communication Strategy 2010 finalised

- 25 March 2010, the first SLEITI report was published and launched (by the President), covering the 2006 and 2007 calendar years
- 16 - 17 April, 2010. A pre-validation exercise held in the Parliament Building, organised by NACE and attended by CSOs, the MSG and Members of Parliament
- May 2010. Participation of the Chairman, SLEITI Communication Sub-Committee in “Communicating EITI” workshop, Berlin, Germany
- June 2010. Production and dissemination of the abridged SLEITI Reconciliation Report
- June-July 2010. Validation exercise.



## B. APPROACH AND METHODOLOGY

Our approach to the SLEITI Validation exercise comprised three components:

- Desk study of key documents
- Consultation with over 60 key stakeholders in Freetown and the provinces
- Presentation of the initial findings to the MSG.

### 1. DESK STUDY OF KEY DOCUMENTS

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We analysed the following:

- Laws and regulations
- The first SLEITI reconciliation audit (2006 – 2007)
- SLEITI minutes, press releases and other communications
- Stakeholder reports and documents
- The SLEITI Communication Strategy 2010.

### 2. CONSULTATION WITH OVER 60 KEY STAKEHOLDERS IN FREETOWN, KONO & PORT LOKO DISTRICTS

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We met with:

- Government officials
- Paramount/District chiefs
- Company representatives
- Dealers
- Civil Society representatives
- Donor partners.

In Freetown and the following communities:

- Tankoro chiefdom (Kono)
- Nimikoro chiefdom (Kono)
- Sandor chiefdom (Kono)
- Gbense chiefdom (Kono)
- Kamara chiefdom (Kono)
- Nimiyama chiefdom (Kono)
- Lunsar (Port Loko).

Note that the Validator had a limited amount of time to make out-of-town trips; so only two mining districts were visited. (The full list of consulted stakeholders is in *Annex B*).

### 3. PRESENTATION OF INITIAL FINDINGS TO THE MSG

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Towards the end of our field mission we presented our initial findings to the MSG. This was an opportunity to hear the SLEITI Board discuss their perspective on validation and to respond to our findings. The MSG was receptive, enthusiastic and cooperative during this meeting.

### 4. INDICATOR JUDGEMENTS

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For each of the 18 validation indicators, we have followed the guidelines in the EITI Rules closely. Each indicator is therefore judged to be either 'met' or 'not been met'. The overall result for SLEITI is then given in *Section F* below.

### 5. A NOTE ON TERMINOLOGY

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The first report on the extractive sector in Sierra Leone reconciled payments made by companies with receipts lodged with the government. The report was therefore not a full audit and for this reason, it is referred to at different times in this report as either the "Reconciliation Report" or as simply the "Report" or the "SLEITI Report". These terms should be regarded as inter-changeable. In *Section D* below, although there were five members of our team, for formal purposes, we refer to ourselves as "the Validator".

## C. PROGRESS AGAINST THE WORK PLAN

This section of the report presents a summary of the main items listed in the SLEITI work plan. Next to each of the items listed is the Validator’s summary assessment of the progress made against the item. This is followed by a brief overall assessment of the progress made against the SLEITI work plan as required by the EITI Validation Guide. The judgement has been made based on four categories (adapted from the EITI Rules guidelines):

1. **Limited/no progress**
2. **Meaningful progress**
3. **Close to completed**
4. **Completed**

Work plan activity	Validator’s judgement
Launch press event	Completed
Produce Fact sheets	Completed
Establish a functioning Secretariat	Limited/No Progress
SLEITI website	Completed
M&E framework	Limited/No Progress
Appoint National Coordinator	Limited/No Progress
EITI Training Workshop	Completed
Study Tours/Conferences	Completed
Stakeholder workshops	Meaningful Progress
Reconciler TOR/templates/contracted	Completed
Reconciliation report published/launched	Completed
Summary version of the first report	Completed
Information centres in four enclaves	Limited/No Progress
Community-based media discussion	Close to completed
EITI legal framework	Meaningful Progress
Research reports	Close to Completed
Validation	Completed

Rather than having a work plan for a fixed time period, for instance, for one or two years, the SLEITI work plan has simply been extended across time with adjustments from year to year. This “rolling work plan” approach makes assessment of progress problematic. Some of the activities have measurable targets and some do not. For instance, under “awareness raising”, the performance indicator is “Many Sierra Leoneans know about the EITI implementation process.” The work plan does contain a timetable for expected delivery of outputs and does include capacity building for both the MSG and wider stakeholders, which have been carried out.

For 2009, US\$818,248 was budgeted in the work plan. US\$310,000 was made available through the Multi-Donor Trust Fund (MDTF) and US\$233,333 was provided from the GoSL. Although this left a shortfall of nearly US\$300,000, *this was still sufficient for the core activity of setting up a SLEITI Secretariat*. A total of US\$110,219 was allocated for the establishing the Secretariat (accommodation, recruitment, equipment procurement). It therefore cannot reasonably be argued that a lack of funds explains why a full time National Coordinator and dedicated office space have not been finalised.

Independently of the main SLEITI work plan, a Communication Strategy for 2010 has been drawn up, with a budget of US\$170,000. This strategy has however yet to be implemented because of delays in funding. The lack of available funds in this regard is a reasonable explanation for delays in implementing communications activities.

A detailed evaluation of the SLEITI workplan is found in *Section D (4)* below.



## D. PROGRESS AGAINST VALIDATION INDICATORS

This section presents a narrative of the Validator's assessment of progress against the Validation Grid Indicators. For each indicator, we present:

- Our interpretation of the criteria (where required)
- Progress against the indicator
- Stakeholder views
- Our overall judgement.

A summary Validation Grid is provided in *Annex A*.

### SIGN-UP

## 1. HAS THE GOVERNMENT ISSUED AN UNEQUIVOCAL PUBLIC STATEMENT OF ITS INTENTION TO IMPLEMENT EITI?

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### 1.1. Evidence

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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 Third Plenary EITI Global Conference in Oslo on 16<sup>th</sup> October 2006. This statement was subsequently published in local newspapers. Since the change in Government in 2007 the current administration has again committed Government to EITI, this reflected in the President's speech at the launching of the first reconciliation report on the 25<sup>th</sup> March 2010. During this launch the President made a statement in support of EITI and recommended EITI expand its remit to include the oil sector.

### 1.2. Stakeholder views

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Stakeholders agree that an unequivocal public statement on EITI has been made.

### 1.3. Validator's judgement

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**The indicator has been met.**

## 2. HAS THE GOVERNMENT COMMITTED TO WORK WITH CIVIL SOCIETY AND COMPANIES ON EITI IMPLEMENTATION?

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### 2.1. Evidence

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In a letter dated 23<sup>rd</sup> November 2006, the Ministry of Presidential and Public Affairs (MPPA) invited civil society and companies to join a Multi-Stakeholder Group (MSG) to oversee EITI implementation. A Memorandum of Understanding (MOU) signed by Government, civil society representatives and companies in August 2007 subsequently strengthened this invitation.

Civil society is largely represented in the MSG through the National Advocacy Coalition on Extractives (NACE), which is comprised of:

- Catholic Relief Services (CRS)
- Network Movement for Justice and Development (NMJD)
- Talking Drums Studios (TDS)
- Action Aid Sierra Leone (AA-SL)
- World Vision International (WVI)
- Anti-Corruption Commission (ACC)
- Sierra Leone Indigenous Miners Movement (SLIMM)
- Green Scenery
- Campaign for Good Governance (CGG)
- National forum for Human Rights and Global Rights
- United Miners Union (UMU)
- The Geological and Environmental departments of the University
- Government institutions (Ministry of Local Government and Community Development and Ministry of Mineral Resources).

## 2.2. Stakeholder views

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While civil society stakeholders believe they are adequately represented on the MSG, there are concerns from stakeholders outside the MSG that the present representation should be revisited in favour of a more balanced representation. Additionally, some companies thought the Government could do more to include different companies in the MSG and strengthen the EITI through its own legislative framework.

## 2.3. Validator's judgement

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### **The indicator has been met.**

However, the Validator notes the following three points.

Firstly, some members of NACE are more active than others and there appear to be some issues regarding information filtering down to members<sup>1</sup>. In addition, the MSG should consider inviting a broader range of civil society actors to be represented to ensure that a wide spectrum of opinions is given. In particular we note a lack of direct representation from mining-affected communities in the provinces. It should be noted that involvement from provincial civil society stakeholders would only be feasible if the MSG met less frequently, as the costs of bringing representatives from the provinces every week or two would become prohibitive – particularly in light of the current funding constraints in the SLEITI.

Secondly, the Government initially invited the Chamber of Mines to send representatives to the MSG, however since the Chamber has not been effectively operating, certain companies have filled the void themselves. Currently two of the three existing producers (Koidu Holding and Sierra Rutile Limited) attend along with the country's largest exploration company, African Minerals. Other mining companies (i.e. Sierra Minerals), exploration/developing companies

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<sup>1</sup> We note the MSG disagreed with the validator's assessment here.

(i.e. London Mining Company, Cape Lambert, etc.) and diamond exporters have not been involved in the MSG.

The absence of diamond exporters is of particular note, as they export up to 65% of Sierra Leone's diamonds. Yet, there appears to be no representation or regular communication to exporters. Given the significant revenues being generated by these operators, the MSG should ensure that they participate in SLEITI.

Thirdly, since the SLEITI Secretariat lacks internal capacity, the MSG has effectively been functioning as a working group for SLEITI. This has resulted in both civil society and companies becoming involved in detailed operational issues. This reflects a certain level of commitment from Government to work with and obtain confirmation from stakeholders, but is also problematic, as many senior private sector and Government officials either do not have the time to commit to the meetings or delegate attendance to different junior personnel who are unfamiliar with ongoing activities.

Based on the efforts the Government have made and the consequential participation it can be concluded that Government is committed to working with civil society and companies implement EITI.

### **3. HAS THE GOVERNMENT APPOINTED A SENIOR INDIVIDUAL TO LEAD ON EITI IMPLEMENTATION?**

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#### **3.1. Evidence**

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In 2006 when Sierra Leone first committed itself to EITI the Minister for Presidential and Public Affairs was appointed as the champion, however after a series of personnel changes there is currently a lack of leadership. The lack of leadership is compounded by recent developments in State House, which has resulted in the position of Minister for Presidential and Public Affairs being dissolved and replaced by a "Chief of Staff" in the Office of the President. Previously, the Minister held two portfolios (Presidential and Public Affairs, and Marine Resources) and had not been attending MSG meetings. During the two-week period that validation was undertaken in Freetown, the current Champion did not meet with the Validator despite repeated requests for an audience. While somewhat understandable in the transitional situation in the Presidency, it does suggest a lack of interest in the process.

In this context, the Permanent Secretary (PS) for MPPA was appointed the focal contact for EITI and has been chairing MSG meetings. While the position is considered a senior post within the civil service and the new PS reiterated his commitment to EITI, the lack of any meaningful political leadership is a serious challenge for the future of EITI. Besides the PS chairing MSG meetings, most of the day-to-day operations of the Secretariat had been further delegated to the Senior Assistant Secretary in MPPA, who manages EITI activities along with his other duties.

#### **3.2. Stakeholder views**

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Most stakeholders interviewed were of the opinion that there is a lack of clear leadership from Government for the implementation of EITI. While civil society and companies recognised the uncertain future of MPPA, at the same time they suggested that the Minister's participation over the past year was inadequate. While civil society recognised that the President had committed the Government to EITI, they did question whether the Government were serious about good governance and transparency in the minerals sector.

### 3.3. Validator's judgement

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**The indicator has not been met.**

It is recommended that the Government re-state its commitment to the implementation of EITI by appointing a new champion and develop a Terms of Reference for the role.

## 4. HAS A FULLY COSTED WORKPLAN BEEN PUBLISHED AND MADE WIDELY AVAILABLE, CONTAINING MEASURABLE TARGETS, A TIMETABLE FOR IMPLEMENTATION AND AN ASSESSMENT OF CAPACITY CONSTRAINTS (GOVERNMENT, PRIVATE SECTOR AND CIVIL SOCIETY)?

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### 4.1. Evidence

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The following is an overview and assessment of the Government's activities associated with its EITI work plan.

#### **Was the work plan agreed with stakeholders?**

The Government held a two day workshop on 28<sup>th</sup> and 29<sup>th</sup> August 2007 to develop a work plan for EITI's implementation; this plan was effectively validated by MSG members. With agreement of the MSG the work plan was subsequently revised in February 2010.

#### **Has the work plan been made widely available?**

The initial work plan was published in the local newspapers and was unaltered for over two years. The revised work plan of February 2010 has not been published or made available on the SLEITI website.

#### **Does the work plan contain measurable targets?**

The existing work plan for 2010 consists of outcomes, outputs, activities, performance indicators and a timeline divided quarterly. While some of the targets are measurable, there are several vague ones such as "many Sierra Leonean aware of EITI". Overall the structure and consistency of the work plan can be significantly improved and the targets should be SMART (Specific, Measurable, Achievable, Realistic, Timebound).

#### **Does the work plan include an assessment of capacity constraints?**

Capacity constraints were not addressed systematically in the work plan. The plan does make reference to building capacity of stakeholders (MSG members, Parliamentarians, other Government Ministries and Agencies) however; it does not address the fundamental constraints within the SLEITI Secretariat to actually implement activities, resulting in a significant gap between plans and capacity.

#### **Does it ensure the multi-stakeholder nature of EITI?**

The work plan almost exclusively assigns the National Coordinator responsibility for implementing the work plan. While there is evidence that civil society have been involved in its delivery (particularly in raising awareness for EITI) the work plan does not explicitly make reference to their role.

**Does the plan contain a timetable for validation?**

The work plan was revised after the Government was given an extension on its original candidacy period, during which it was not able to undertake a reconciliation or validation. The revised work plan includes a schedule for both reconciliation and validation and has largely been followed, however the plan does not extend past 2010 and there are no stated plans for a second reconciliation.

**Does the plan elaborate on how government will pay for validation?**

The work plan did not reveal the funding source for validation. More generally, the work plan includes a budget of over US\$800,000, which has gone largely unfunded, with only US\$310,000 made available through the Multi-Donor Trust Fund (MDTF). This shortfall in donor support has significantly impacted on the achievements of the EITI deliverables as outlined in the work plan. A separate work plan to implement the communications strategy has also been developed with an associated budget of US\$170,000. SLEITI is in dialogue with GTZ for communications support. The Government is largely relying on donors to cover SLEITI's costs and has not elaborated on how the funding shortfall will be filled.

## 4.2. Stakeholder views

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While most MSG members acknowledged the existence of the work plan it was observed that most did not see it as the central guiding document for EITI implementation. In fact many acknowledged the donors supporting EITI who intermittently prompt the Secretariat into action drove that implementation. However, civil society have used some elements of the work plan to guide their own activities, particularly as they relate to sensitising stakeholders and those affected by mining in Bo, Kenema and Makeni.

## 4.3. Validator's judgement

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**The indicator has not been met.**

The work plan was effectively developed to solicit donor funding in order to assist the activities of the MSG and Secretariat.

Considering the plan lacks any assessment of capacity constraints within the Secretariat or MSG to undertake the work it should have been adjusted once it was realised that resources were not available to implement. As with the first plan, there has not been any reporting against targets and as such it has become a static document, which is in danger of becoming irrelevant.

As noted in *Section C* of this report above, the Government's inability to fully implement its work plan can partly be explained by the funding constraints, however it does not explain why it hasn't been able to establish a secretariat with dedicated full time staff.

It is recommended that SLEITI either adjusts the existing 2010 work plan or creates a new 12-month work plan. Either option should be developed based on a realistic assessment of capacity and resources within the Secretariat, and that this plan is made available on the SLEITI website and distributed widely to stakeholders through other means of communication. Furthermore, the work plan for communications should be incorporated into the SLEITI work plan.

It is also recommended that the Secretariat generate quarterly progress reports against the work plan and ensure it is updated regularly. Where targets are not achieved the MSG should consider why this was not the case.

## PREPARATION

### 5. HAS THE GOVERNMENT ESTABLISHED A MULTI-STAKEHOLDER GROUP TO OVERSEE EITI IMPLEMENTATION?

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#### 5.1. Evidence

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In terms of the MSG, the following captures the key elements of its formation.

##### **Has the MSG been formed?**

The MSG was established in 2006 and formalised in August 2007 through an MOU that was signed by a civil society representative, a representative of companies and the Government. While the Government didn't undertake an assessment of which stakeholders should be invited they did send invitations to the most prominent civil society organisations and mining companies. The membership has been largely open however the process of inviting participants has not always been transparent (there is no evidence that MSG members have been consulted on additional invitations).

##### **Is the MSG comprised of appropriate stakeholders?**

Through a coalition of NGOs, it is clear that the appropriate civil society organisations are represented within the MSG, and based on their advocacy activities it is clear that they are independent of government and the private sector. Civil society members been integral to the MSG and at the same time have independently engaged with community groups and Parliamentarians on EITI issues.

Since mining companies have not been able to establish a functioning association/chamber, individual companies have represented themselves on the MSG. Although a few large mining companies have not participated in the MSG, their interests are somewhat represented by other participants. This is however not the case for diamond dealers/exporters who are completely unrepresented within the MSG.

Overall, civil society and companies within the MSG have been free to challenge the status quo and as demonstrated within meetings contribute to lively discussions.

Senior political figures and chief executives from companies do not attend MSG meetings. This is partly because the MSG meets as often as weekly or bi-weekly and deliberates over detailed operational activities, both factors being clear deterrents to retaining interest from senior participants.

##### **Are MSG Terms of Reference fit to purpose?**

The MSG operates under the terms of an MOU, which does not provide sufficient detail on the governance the MSG. Although the MSG has overseen the major functions expected of it (approving a work plan, choosing an auditor for the reconciliation process and Validator) the MOU does not provide any guidance on how the MSG is to operate and is clearly not fit to purpose.

#### 5.2. Stakeholder views

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Civil society representatives expressed concern over the number of Government representatives on the MSG and felt as though they dominated proceedings. There was also

widespread frustration by members over the location of MSG meetings as State House was not easily accessible or neutral enough to discuss concerns about Government transparency.

### 5.3. Validator's judgement

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**The indicator has not been met.**

Although the MSG has been formed and has adequate representation, the lack of TOR is a significant shortcoming. The MOU, which was signed to constitute the MSG, lacks the detail necessary to inform the MSG's composition or its activities and as a result, the MSG is not focused on major strategic issues and is easily distracted by minor operational issues. The lack of clear governance structures for the SLEITI is a hindrance to effectively implementing EITI in Sierra Leone. There is a strategic deficit at the core of the MSG's function at present.

It is recommended that TOR be developed for the MSG, which includes detailed guidelines/rules on membership, activities and responsibilities. Suggested guidelines include:

- Statement of purpose
- Details of voting procedures
- Rules on quorum
- The rights and responsibilities of each member
- Length of tenure for members
- Disciplinary measures for non-performance
- Rules on election of members.

It is also recommended that the company and government membership of the MSG is reconsidered, with more senior level representatives involved. Through the new TOR, the MSG should take on a governance role and meet at fixed intervals, no more than bi-monthly or quarterly.

## 6. IS CIVIL SOCIETY ENGAGED IN THE PROCESS?

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### 6.1. Evidence

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The MOU referred to above in *Section 5.3* provides the basis for formal engagement in SLEITI from civil society organisations. In addition, despite the high frequency of MSG meetings, civil society members are always in attendance. Again, civil society members have participated in many other EITI fora outside of SLEITI MSG meetings, as the calendar in the Introduction section above indicates. The NACE coalition has organised community-based outreach events in the key provincial towns of Makeni, Bo and Kenema. Factsheets have been produced and distributed. Members of the MSG, including civil society representatives, participated in a training workshop funded by Revenue Watch International in August 2009. The civil society members on the MSG, from NACE, NMJD and the Sierra Leone Association of Journalists (SLAJ) are both operationally and in policy terms independent of both government and the private sector. There are five civil society representatives currently sitting on the MSG out of a total membership of twenty (see *Annex C*).

### 6.2. Stakeholder views

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Some civil society stakeholders suggest that there are 'monopolising tendencies' at work in civil society engagement with SLEITI. However, some civil society members see this as a

positive; they point to the difficulty of being engaged in the extractive sector in Sierra Leone and the fact that the sector is not particularly attractive to donors. Other civil society coalition members feel that they are not fully informed about MSG meetings and updated regularly enough on SLEITI matters. At the same time however, civil society knowledge of the extractive sector outside of Freetown is relatively weak.

### 6.3. Validator's judgement

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#### **The indicator has been met.**

Civil society groups are free to express opinions on EITI and do not face either restraint or coercion. While there has been outreach activity in the provinces, there is need to build on this work and strengthen outreach activities beyond Freetown. This activity would be one component of the implementation of the communication strategy (see *Indicator 18* below).

## 7. ARE COMPANIES ENGAGED IN THE PROCESS?

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### 7.1. Evidence

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There are three extractive companies that sit on the MSG: African Minerals, Sierra Rutile and Koidu Holdings. Although the two main diamond exporters together export 65% of Sierra Leone's rough diamonds, neither sits on the MSG. The six companies selected for the first reconciliation report cooperated fully with the auditor. However, it is not stated with sufficient clarity in the MSG minutes why these six companies were chosen. The minute from the MSG meeting on the 25<sup>th</sup> August simply states, "After much deliberation, the committee agreed that the initial report should only cover industrial mining companies and key export and dealers companies which include the following." On this basis alone, it is not clear to the Validator a) what "industrial" means and whether other mining companies might fit this definition and b) whether other "key" exporters and dealers may have been omitted.

Nonetheless, letters were sent to the CEOs of the selected mining companies informing them of the EITI process. The mining company representatives to the MSG were also invited to the capacity building workshop on the 12<sup>th</sup> and 13<sup>th</sup> August 2009. In the same MSG minute referred to above (25<sup>th</sup> August), the Chairman of the meeting, Mr M.S. Kebe, noted that "there was a glaring absence of representatives from the mining companies for which members would be interested to know the reason why they were absent." There has been discussion among the mining companies in Sierra Leone to form a Chamber of Mines; however this has yet to be fully implemented.

### 7.2. Stakeholder views

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Some of the companies were fully in support of SLEITI and even suggested the process should be developed further, via a dedicated SLEITI law and by reconciling smaller companies. It should be noted however that only one company, Cluff Gold, had its completed templates signed off by a third party auditing firm. Without sign-off from an auditor, the data for the first reconciliation exercise is at risk of lacking credibility.

As discussed in *Indicator 2* above, there is no participation from diamond exporters in the workings of the MSG. Given they export a significant portion of Sierra Leone's extractive sector resources by value, they should be more involved in the process.



### 7.3. Validator's judgement

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**The indicator has been met.**

It is recommended that the exporters be asked to participate in SLEITI at the MSG level.

## 8. DID THE GOVERNMENT REMOVE ANY OBSTACLES TO EITI IMPLEMENTATION?

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### 8.1. Evidence

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The Core Minerals Policy and new Mines and Minerals Act 2009 (MMA) provide a solid basis upon which to collect and reconcile data from extractive companies in Sierra Leone. Sections 159 and 160 of the MMA 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. With the passing of the new law, the GoSL has the legal basis upon which to collect revenue and payment information. At the same time, towards the end of the Validation mission, the Cabinet of Sierra Leone has discussed and approved the development of Freedom of Information legislation. The process towards developing it into a Bill to be presented to parliament is therefore ongoing.

While the MMA provides the legal framework to collect and disseminate extractive industry payments *it does not provide a legal framework for the operations of the MSG or SLEITI.*

### 8.2. Stakeholder views

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In the context of the recent mining agreement signed between the GoSL and London Mining Company, civil society expressed their frustration over the lack of transparency within the process and the non-availability of the mining agreements. While stakeholders understand that terms of individual mining agreements are not covered by EITI, they associate it with the governance of the minerals sector and the Government's commitment to transparency.

In light of frustrations associated with mining agreements, some civil society representatives thought the Mines and Minerals Act 2009 did not go far enough to deal with wider transparency issues (beyond payments) and thought the MSG should devote time to reviewing and suggesting amendments.

### 8.3. Validator's judgement

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**The indicator has not been met.**

The Validator believes that the lack of legal framework for EITI, combined with the failure of the government to publish constitutionally public documents on important agreements in the mining sector, constitute a barrier to the effective disclosure of material revenues in Sierra Leone's mineral sector.

For EITI to be more meaningful in Sierra Leone, there are both legal and administrative impediments to ensuring the public are aware of major mineral sector transactions and agreements are published in accordance with the law. It should be noted that the passing into law of the Freedom of Information Bill in due course might be the opportunity for the GoSL to address some of these shortcomings.

While the MMA provides a legal basis for collecting and disseminating information, there is no formal framework for the activities of the SLEITI. A new TOR for the MSG (*Indicator 5*) and a well-developed work plan (*Indicator 4*), which includes specific activities to develop the

capacity of the Secretariat, would help build EITI in Sierra Leone. The MSG should appoint full-time SLEITI staff (including at the least a National Coordinator, a Communications Manager or consultant and a clerical assistant) as well as move to a furnished office. However, to ensure that SLEITI has a legal basis that provides it with the mandate to continue to collect information, it may be necessary to publish a unique SLEITI law. According to the Chair of the Parliamentary Sub-committee on Mining interviewed by the Validator, such a law is under consideration by the Minerals and Transparency Sub-Committees in Parliament. In advance of the possible development of SLEITI legislation, the MSG should consider adding EITI clauses to the technical regulations currently being developed to accompany the MMA.

Although *not a core EITI requirement*, it is recommended that all laws and relevant Mining Agreements (all of which should be public domain documents) are posted on the SLEITI website.

It is also recommended that the SLEITI MSG meet with the Sierra Leone Parliamentary Sub-Committees on Minerals and Transparency to further discuss the possibility of an EITI law.

## 9. HAVE REPORTING TEMPLATES BEEN AGREED?

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### 9.1. Evidence

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The Validator notes that the templates were extensively discussed within the MSG, at both the board level and in a workshop in 2009. In addition, the MSG discussed the role of the auditors hired to conduct the reconciliation process, in particular making a decision to limit the number of companies involved in the first report to six companies and three dealers in the diamond, rutile, bauxite and gold sectors.

In the MSG meeting held on the 25<sup>th</sup> August 2009, the participants therefore agreed that the first reconciliation report should only cover 'industrial' scale mining companies and key exporters/dealers. The vagueness of this definition has been discussed in 7.1 above, also see *Indicator 11* for further observations.

It should be noted that many more entities reported. Specifically, seven district councils and 14 Chiefdom councils completed templates, despite falling out of the original scope set by the MSG.

### 9.2. Stakeholder views

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Stakeholders expressed satisfaction with both the templates themselves and the manner in which the templates were agreed. In a MSG meeting which the Validator attended, stakeholders stated that there had been extensive consultation and that all payments relevant for the current reconciliation process had been included. For further stakeholder views on the materiality of payments, see *Indicator 14*.

### 9.3. Validator's judgement

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#### **The indicator has been met.**

However, like many stakeholders, the Validator is of the opinion that a significant number of material payments fall outside the current definition and limitations defined by the MSG. In particular, we note that section 160 of the MMA requires **all** persons engaged in the extractive sector to submit a quarterly report to the Minister reporting on payments to government entities and local government and traditional authorities or be fined US\$10,000. While the MMA does not explicitly refer to EITI, it is intended to be supportive of the process.

However, currently, SLEITI has not put in place a plan to publicise this requirement, nor to cooperate with the MMRPA to ensure that the information is coordinated with the reconciliation process when the law comes into force (i.e. 2010)

We further note that oil and gas agreements, along the mining agreements and all exploration licensing, are currently not included under SLEITI’s definition of “material sectors and payments”. Given that these are sectors with the potential to make significant payments to government, SLEITI should ensure that they are included in the reconciliation process as soon as possible.

It is recommended that SLEITI develop a plan on how the expansion of the reconciliation process can be managed and how sections 159 and 160 of the MMA can be coordinated by SLEITI.

- SLEITI should further discuss entities to be included in the reconciliation process in agreement with sections 159 and 160 of the MMA which requires all companies to report their payments to the Ministry from 2010. In particular:
  - Exploration companies
  - Small-scale mining licence holders (approximately 50)
  - Oil and Gas companies and their corresponding government entities
  - Local diamond dealers
  - Local Councils
  - Paramount chiefs
- SLEITI should consider including the following further elements in the templates and in the reconciliation process
  - Payments in kind and gifts to local and traditional authorities
  - Production and Export volume audit.

## 10. IS THE MULTI STAKEHOLDER COMMITTEE CONTENT WITH THE ORGANISATION APPOINTED TO RECONCILE FIGURES?

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### 10.1. Evidence

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The MSG went through a rigorous selection process to appoint Verdi Consulting and their sub-contracting partners Grant Thornton, the reconciler for the first SLEITI report. A procurement consultant with World Bank processes was hired to support the process. Nine firms responded to the request for expressions of interest that was advertised internationally. The short-list was based on the following criteria:

- Not more than two firms to be short-listed from one country
- The firms to be selected must have experience in the sub-region
- There should be a minimum of one firm from a developing country.

The MSG then set up an Evaluation Committee to decide on the short-list and then the winning bid. Four companies were short-listed:

- Verdi Consulting (USA/Sierra Leone)
- Raitas Consulting (Nigeria)

- FairLinks (France)
- Moore Stephens International (UK).

FairLinks was subsequently disqualified on grounds of conflict of interest (one of the company's key personnel also works as a consultant for a major mining company in Sierra Leone). In the final evaluation of the technical proposals, Verdi Consulting emerged as the leading firm. This was the trigger for the approval to open Verdi's financial proposal and to enter into negotiations on the contract. Verdi was contracted to conduct the first reconciliation exercise in December 2009. Their final report was submitted on 8<sup>th</sup> March 2010.

## 10.2. Stakeholder views

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The MSG is unanimous in their approval of the appointed firm, Verdi. However, several stakeholders in both government and the companies complained that there was insufficient time to prepare fully for the reconciliation exercise.

## 10.3. Validator's judgement

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### **The indicator has been met.**

However, it should be noted that the final amount contracted for the work, US\$186,594, involved a significant discount, with the reconciler making concessions to both their costs and per diem. While it is standard procedure to negotiate with private firms on government contracts, the question remains whether there was sufficient budget for the reconcilers to complete the work to the best of their abilities with the appropriate amount of time and whether the figure contracted would be adequate for future reports, given any planned extensions in scope.

# 11. HAS THE GOVERNMENT ENSURED ALL COMPANIES WILL REPORT?

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## 11.1. Evidence

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The bulk of mining activity (at least for rough diamonds) in Sierra Leone is done by small-scale and artisanal mining operations. It is not feasible to expect that all individuals and companies involved in mining report to SLEITI. This would make the cost of conducting reconciliation exercises prohibitively expensive. The task would be close to impossible, given the lack of formal record keeping on the part of artisanal activities.

In the MSG meeting held on the 25<sup>th</sup> August 2009, the participants therefore agreed that the first reconciliation report should only cover 'industrial' scale mining companies and key exporters/dealers. The vagueness of this definition has been discussed in 7.1 above.

As mentioned in 8.1 above, sections 159 and 160 of the new MMA do make it mandatory that companies report their payments to government from 2010. However, these sections do not explicitly refer to EITI Criteria.

As indicated in 7.1 and 9.1 above, the decision to limit to the first SLEITI Report to six mining companies and three dealers/exporters was made by the MSG. As of the time of the Validation exercise, there has been no discussion or plans made to increase participation in any future reconciliation exercises.

## 11.2. Stakeholder views

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Stakeholders were satisfied that, given the availability of data and the context of Sierra Leone's extractive sector, the initial restriction on which commercial entities should report was appropriate.

In the minute to the MSG meeting on Thu, 12<sup>th</sup> November 2009, a member (it is not stated who) commented "that the new Mines and Minerals Act 2009 does not go far enough to deal with the issue of transparency and therefore the MSG should devote time to looking at the Act with the view to improving it." This indicates a perception amongst the MSG that from an EITI-perspective, the MMA is inadequate.

However, a number of stakeholders recommended that subsequent reconciliation reports be broadened and deepened in scope to include small and medium size companies of which there are around 50 operating in Sierra Leone.

## 11.3. Validator's judgement

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### **The indicator has been met.**

It is recommended that in advance of future reconciliations, the MSG more clearly defines materiality, and not rely on the ambiguous definition of "industrial" operations. Future SLEITI reports should be targeted at those companies holding small-scale and large-scale licences (as defined by the MMA). Furthermore, SLEITI should develop a plan to increase participation in future reports, so that companies holding exploration licences are included into the process as SLEITI develops. Good international practice suggests further that SLEITI set revenue thresholds to determine which companies have to report (see 14.1 below).

## 12. HAS THE GOVERNMENT ENSURED THAT COMPANY REPORTS ARE BASED ON AUDITED ACCOUNTS TO INTERNATIONAL STANDARDS?

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### 12.1. Evidence

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Section 288 of the Sierra Leone Companies Act 2009 requires companies to prepare a financial report which complies with International Financial Reporting Standards and which includes an auditor's report of the company's accounts (definitions are detailed in the Act)<sup>2</sup>. Further, audited accounts are required by the act to be presented at the companies' Annual General Meeting (AGM). The Validator confirmed with the National Revenue Authority (NRA) that companies were required to submit audited annual accounts. Companies interviewed by the Validator stated that their accounts had been audited to international standards.

In the minutes of 14<sup>th</sup> July 2009, the MSG agreed that an alternative to the submission of audited accounts would be 'worked out'. This alternative is further defined in the first reconciliation report (page 13, para 3), which states that the MSG decided that the templates submitted by companies should be signed by a senior executive **and either** the company's Chief Financial Officer **or** an Independent Auditor.

According to the reconciler, only one company, Cluff Gold, fulfilled the requirement to have the templates signed by both a senior executive and a financial officer/auditor. Other companies/dealers provided accounts signed by a senior executive only.

Given the time constraints, the reconciler was unable to check the information submitted against audited accounts. In essence this suggests that the data in the reconciliation report

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<sup>2</sup> <http://www.sierra-leone.org/Laws/2009-05.pdf>

cannot be confirmed to be information based on audited accounts prepared to international standards.

Thus far, there has been no discussion within the MSG on how to raise the standards of submitted company reports.

## 12.2. Stakeholder views

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Stakeholders expressed concerns about the validity of the data provided by companies, given that information could not be confirmed by audited accounts. In addition, stakeholders noted that reporting and auditing requirements would be difficult to impossible when pushed further down the diamond trading chain to lower end dealers, with concurrent capacity issues related to local government organisations and with traditional authorities.

Stakeholders also cast doubt on whether dealers were able to submit audited accounts at all, given that many of the operators are sole traders or family organisations which were unlikely to undergo audit.

## 12.3. Validator's judgement

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### **The indicator has not been met.**

The MSG minutes provided to the Validator did not reveal any further in depth discussion to ensure that disclosures by companies were audited to international standards other than those mentioned above in 12.1.

The Validator has a number of concerns over the alternative offered to companies in place of audited accounts. From an auditing point of view, the signature of two internal officers and the failure of the reconciler to check accounts submitted to EITI against audited figures suggest that there can be little faith in the data. Even with these scant requirements, only one company provided data signed by two officers.

There are clear problems, recognised by the MSG, with extending this requirement out beyond the current list of companies and dealers, should SLEITI demand reporting from smaller entities. Nevertheless, reporting is both mandatory by law in Sierra Leone (MMA sections 159 and 160) and a wish expressed by many stakeholders, both inside the MSG and outside, as evidenced by the voluntary submission of data from local councils and Chiefdoms.

The Validator suggests that it should be noted that there is a difference in confidence between accounts signed by an Independent Auditor and accounts signed by either senior executives or CFOs employed within the company.

To pass this indicator, it is recommended that SLEITI require reporting companies to resubmit the data they originally provided signed by independent auditors and make this a mandatory requirement for future reconciliations. The MSG to the Validator's knowledge has not discussed this issue.

## 13. HAS THE GOVERNMENT ENSURED THAT GOVERNMENT REPORTS ARE BASED ON AUDITED ACCOUNTS TO INTERNATIONAL STANDARDS?

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### 13.1. Evidence

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The National Revenue Authority (NRA) is the primary government institution responsible for revenue collection, and has agents situated at the relevant ministries collecting revenue payments on site, both in Freetown and at regional offices around the country.

The NRA is principally responsible for the following revenue streams:

- Host governments production entitlement
- National state owned company production entitlement
- Taxes from profits
- Royalties
- Dividends
- Bonuses
- Licence fees, rental fees, entry fees and other considerations for licences and/ or concessions.
- Withholding taxes
- Other significant benefits to government as agreed by the MSG.

The Validator visited the NRA on two separate occasions, interviewing several staff members on their experience compiling and providing the data for the reconciliation report. The reconcilers were also questioned regarding their experience with the NRA. There are three main issues identified by relevant stakeholders on the provision of this data:

- Receipts and payments are sometimes made in cash and only recorded and stored as hard copies in the form of receipts, bills, demand notes etc., and the NRA has *no electronic management of this information*. As a result of this a number of receipts were unreadable (some damaged by damp) or missing and thus unable to be confirmed as reconciled in the report.
- For the period of the reconciliation report, there was no unique identification of payments at the taxpayers level since figures were aggregated at the ministry level and receipts issued in bulk and banked. Thus, payments by individual companies had to be reconciled by individual receipts with the problems mentioned in the point above.
- Since the ministries provide information to the NRA from the mining companies, not all pieces of information reach the NRA or if they do are slow in being reported.

Unconnected to the issues identified in the reconciliation report, the NRA is currently undertaking a series of reforms listed below. However, officials at the NRA stressed that these reforms are recent, and as such will not be in place for the (presumably) next reconciliation period of 2008-2009. The reforms include:

- To improve identification of payments at the tax payer level, Tax Identification Number (TIN) system has been put in place
- The method of recording payments and receipt has been changed from manual cash book to electronic spreadsheet and automated
- Customs and excise has implemented the new electronic software, the Automated System for Customs Data (ASYCUDA) and is now being upgraded to improve on its speed
- A new Information Technology infrastructure is now being put in place to achieve a local area network in the NRA Building
- The Large Taxpayer Office (LTO) is now being established to improve on tax collection from vital and large tax payers within the Income Tax Department

- It is mooted to established the Domestic Tax Department (DTD) to merge the Income Tax and Goods and Service Tax (GST) department.

There are a number of relevant laws and regulations governing auditing in Sierra Leone:

- The Constitution of Sierra Leone
- International Standards on Auditing
- IFAC Code of Ethics
- International Financial Reporting Standards
- Pronouncements of CSAAG
- The Companies Act 2009
- Specific Industry Regulations (e.g. Banking Act, Insurance Act).

Section 119 of the 1991 constitution of Sierra Leone establishes the Office of the Auditor General (AG) and clearly states the functions of the office (Sec 119.1-14). The AG is given a full mandate to audit and report on the annual statement of account and to determine the form and manner of the Public Accounts. The AG is responsible for verifying all government accounts and at the end he issues a certificate based on the nature of the accounts audited.

The Audit Service Act (ASA) of 9<sup>th</sup> July 1998 was passed to further strengthen the independence of the office of the AG in Sierra Leone. Its main purpose is to give additional powers to the office, in particular by making it a public office outside the civil service. However, currently parliament is unable to recruit an auditing firm to undertake the audit of the audit service as the law states that all such auditors must be registered in Sierra Leone.

## 13.2. Stakeholder views

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Companies, in particular, expressed concern over the state of the government books, suggesting that little confidence could be given where the government was unable to provide matching receipts, which companies had provided to the reconcilers.

Donors expressed confidence in the Ministry of Finance, supported by the fact that donors provide direct budget support. However, donors expressed doubt over progress of the modernisation programme currently underway within the NRA.

The NRA itself acknowledged that there were serious shortcomings in its systems identified by the reconciliation report, but suggested that they would improve their performance significantly in forthcoming reports due to both the programme of reforms and better preparation for the reconciliation.

## 13.3. Validator's judgement

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### **The indicator has not been met.**

After discussion with the reconcilers and the NRA, the Validator has little confidence in the government reports produced for the reconciliation report. In particular, the Validator notes that the reconcilers were unable to confirm a number of payments simply because of poor record keeping. In addition, although the NRA has instituted a programme of reform itself, there has been no programme of work suggested by SLEITI to ensure that the reforms also take into account recommendations made by the reconcilers to improve government reporting. Nor is the Validator aware of any plans by the MSG to address the issues in the near future.



The Validator visited the AG, who stated that all government receipts are checked in detail and verified by the office –partly through transactions examined in the ministry, department and agencies and also through the audit of the final statement of accounts. The AG stated that government accounts are up to internationally accepted accounting standards. However, given that an independent audit of the AG service is still pending, the Validator was unable to independently verify the standards of the AG service and is unable to reach a conclusion on this matter one way or another.

The Validator concludes that there can be little confidence in the data provided by government bodies in the 2006-2007 reconciliation report.

It is therefore recommended that SLEITI should develop a programme of oversight work to ensure that the NRA reforms also ensure that the recommendations of the reconcilers are instituted.

## **DISCLOSURE**

### **14. WERE ALL MATERIAL OIL, GAS AND MINING PAYMENTS BY COMPANIES TO GOVERNMENT (“PAYMENTS”) DISCLOSED TO THE ORGANISATION CONTRACTED TO RECONCILE FIGURES AND PRODUCE THE EITI REPORT?**

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#### 14.1. Interpretation of criteria

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Our interpretation of this indicator is that it requires two assessments. Firstly, whether a discussion of materiality has taken place to determine and define relevant payments, and a relevant threshold set for companies to participate in the reconciliation report. Secondly, it requires an assessment of whether relevant payments by companies were disclosed to the Reconciler.

#### 14.2. Evidence

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As noted at *Indicators 9 and 11* above, there has been discussion within the MSG on who should be included in the first reconciliation report, as well as which payments should be included in the templates. While the templates constitute a de facto definition of materiality, it should be noted that the MSG deliberately restricted the scope of the reconciliation process. Given the vast majority of revenues are incurred by large companies, it was agreed to exclude the high number of artisanal operators that generate a small portion of revenues and lack adequate documentation. It should also be noted that the records of the exporters nonetheless capture the value of production of the artisanal mining operators.

The reconciliation report notes:

“The main contributor of these discrepancies has been government entities failing to report revenue in their templates or the inability to substantiate payments reported by companies. In a few other instances some companies were unable to provide

adequate supporting documentation for amounts reported as payments to government entities.”<sup>3</sup>

The Validator interviewed the NRA and reviewed their record keeping procedures – detailed in *Indicator 13*. With companies the Validator was unable to verify discrepancies in their record keeping procedures, in particular the Validator was unable to meet with exporters who were identified by stakeholders as a particular area of concern (see below).

The Validator conducted a four-day field trip to two mineral producing provinces and interviewed a diverse number of stakeholders including traditional authorities, local government officials, NGOs and miners and identified a number of relevant payments that currently fall outside the definition of materiality, namely:

- ‘Kola’ or gifts to traditional authorities by mining companies
- Payments in kind by companies to local communities such as sponsorship and buildings
- Road tolls and similar payments
- Informal payments by small scale miners to Mines Monitoring Officers and other local officials.

In accordance with sections 159 and 160 of the MMA, all entities must now provide a report detailing payments to government entities to the Ministry of Mineral Resources and Political Affairs on a quarterly basis. Currently, SLEITI has no provision for ensuring that reports are submitted to the MMRPA, or that the reports are streamlined into the EITI reconciliation process.

### 14.3. Stakeholder views

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In discussions with relevant stakeholders, the Validator noted that stakeholders from all three parties within the MSG advocated for a broadening and deepening of the process of reconciliation. In particular:

- Civil society stakeholders asked for a broadening of the process to include smaller companies, more exporters/dealers and district councils and chiefdoms
- In addition, civil society and government representatives suggested that a number other sectors should be included in the reconciliation process, notably oil and gas, as well as perhaps fisheries and forestry (the latter as in Liberia)
- Company stakeholders suggested that the reconciliation process be deepened to include payments to local governments and paramount chiefs, including payments in kind.
- There was some concern that there was a lack of capacity outside of the major mining companies to submit accurate data. In particular exporting companies were singled out as potentially unable to submit audited accounts – as they were largely family run businesses rather than corporations.
- Stakeholders noted with concern that one exporter originally slated to be apart of the reconciliation process did not submit any documents.

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<sup>3</sup> First Reconciliation Report, pg 2

## 14.4. Validator's judgement

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### **The indicator has been met.**

It is the opinion of the Validator that the discussions held by the MSG to define who should be included in the reconciliation report and what payments should be included constitutes the essence of a definition of materiality. In which case, the Validator notes the following:

- Sections 159 and 160 of MMA now require all companies, including small and medium sized companies to report payments to the government. Although this cannot apply to there 2006-2007 reconciliation process, there has been no progress by SLEITI to include this reporting in the second reconciliation exercise. The Validator recommends that SLEITI put this in the work plan.
- 'Kola' and small informal payments are typically not considered material payments, however, they contribute to a culture of corruption and general impunity in the mining sector and disproportionately affect the most vulnerable of stakeholders such as artisanal miners. SLEITI should include Kola payments in the disclosure requirements for companies and government bodies. Further, as the Validator's own team discovered, interviews with stakeholders such as artisanal miners could reveal where many informal payments are made. SLEITI should consider conducting research to identify informal payments and make recommendations to relevant government bodies for ways to reduce such payments.
- The Validator notes that exporters are not part of the MSG and are generally removed from the EITI process in Sierra Leone. Given that two businesses export up to 70% of Sierra Leone's diamonds, the Validator recommends that more effort is made to include these exporters in the process.
- Finally, one exporter (Mr Andre Hope) who was originally part of the investigative mandate of the EITI report did not submit documents to the reconciler stating that they had conducted no business that year. SLEITI should further verify that this is correct in collaboration with government departments.

## **15. WERE ALL MATERIAL OIL, GAS AND MINING REVENUES RECEIVED BY THE GOVERNMENT ("REVENUES") DISCLOSED TO THE ORGANISATION CONTRACTED TO RECONCILE FIGURES AND PRODUCE THE EITI REPORT?**

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### 15.1. Evidence

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As outlined in *Indicator 14* above, a number of payments were identified which currently fall outside of the definition of materiality. In particular, the Validator notes on the government side that payments to local governments and traditional authorities were not initially included in the reconciliation process, despite the fact that template A for large mining companies, specifies payments to local authorities, and template E for District/City/Chiefdom councils requires extensive disclosure from these authorities.

Further, the reconciliation report notes (on page 6) that certain payments to Chiefs and Local Authorities were subsequently added to the reconciliation exercise "only if the report existed

on the other side of the quotation”, i.e. only if receipts were found with company books. This condition is problematic as it suggests that there was process of self-selection within the reconciliation exercise that favoured reconciliation and ultimately was likely to result in fewer discrepancies.

## 15.2. Stakeholder views

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As in *Indicator 14* above.

## 15.3. Validator's judgement

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**This indicator has not been met.**

The Validator is unable to perform the role of the reconciler and further verify through investigation whether or not material payments remained undisclosed to the reconciler. Given the admission of the reconciler that payments to local authorities *were only checked if receipts were found on the side of companies*, there is insufficient evidence to be able to make a judgement one way or the other on this issue.

However, if the SLEITI disclosure templates constitute a de-facto definition or materiality, as outlined in *Indicator 9*, the Validator remains concerned that SLEITI did not obtain sufficient disclosure from local councils and chiefdoms for the reconcilers to be able to state with confidence that all material payments had been disclosed. In other words, it appears that template E was insufficiently populated.

It is recommended that in future reconciliations, SLEITI should ensure that sufficient time is allotted to the reconciliation process to ensure that proper reconciliation can be conducted on both the side of government and companies.

## 16. WAS THE MULTI STAKEHOLDER GROUP CONTENT THAT THE ORGANISATION CONTRACTED TO RECONCILE THE COMPANY AND GOVERNMENT FIGURES DID SO SATISFACTORILY?

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### 16.1. Evidence

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The MSG signed off on the first reconciliation report in March 2010. The President of Sierra Leone launched the report on the 25<sup>th</sup> March 2010.

### 16.2. Stakeholder views

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The majority of stakeholders expressed satisfaction with the first report by Verdi. When asked if anything could be improved, some civil society stakeholders suggested that reconciling smaller companies would be a welcome next step.

### 16.3. Validator's judgement

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**The indicator has been met.**

However, two points should be noted.

Firstly, although *not a core EITI requirement and therefore not part of our formal recommendations*, the non-availability of the Mining Agreements for public scrutiny goes against the spirit of transparency in the extractive sector in Sierra Leone. The Validator notes that payments to government by large mining companies are dependent on unique

Agreements between the two parties, which often have special considerations for tax and other payments. The reconciler noted in their report that they were unable to obtain these agreements, despite requests to the MSG and despite the fact that the agreements are nominally public documents passed by parliament. The Validator can confirm that, in fact, the agreements are *de facto* unpublished documents. The Validator was unable to obtain the agreements through ordinary means available to the public – Including requests at the Government Bookshop and at the Library of Parliament.

Secondly, the Validator further notes that the reconcilers conducted as thorough a review as time constraints and resources allowed. The validation team included a Sierra Leonean auditor with considerable experience in the sector, who noted the following:

- The reconciliation process was consistent and thorough
- There was a problem with ‘verbal reconciliation’. Where receipts could not be provided, stakeholders verbally agreed on the amount which was paid and received
- At the bottom of page 6 of the reconciliation report it was mentioned that a group was subsequently added to the reconciliation exercise “only if report existed on the other side of the quotation”. This condition only goes to mitigate the percentage of unresolved discrepancies/un-reconciled items
- One of the Diamond Dealers/Exporters who featured at the beginning of the report did not participate in the reconciliation exercise (Mr Andre Hope). The resident representative of the reconcilers explained that Mr Hope had no activities during the reporting period 1st January 2006 to 31<sup>st</sup> December 2007 although this has not been independently verified.

## 17. DID THE EITI REPORT IDENTIFY DISCREPANCIES AND MAKE RECOMMENDATIONS FOR ACTIONS TO BE TAKEN?

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### 17.1. Evidence

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The first audit report identified discrepancies of Le1,167,658,174 in 2006 and Le817,519,299 in 2007 and made five recommendations:

1. Improve participation from government entities
2. Address unresolved discrepancies
3. Expand the scope for the next audit
4. Address gaps in the revenue collection process
5. Fully implement the Mining Cadastre system.

As of the time of the Validation mission, the MSG has yet to substantially discuss these recommendations or take any actions to address them in the next reconciliation report.

### 17.2. Stakeholder views

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Stakeholders agree that the scope for the next reconciliation report should be expanded to include more companies.

### 17.3. Validator's judgement

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**The indicator has been met.**

However, we note that little progress has been made by the MSG to address the recommendations of the reconciler. This should be a key part of the revised work plan.

## HOW HAVE OIL, GAS AND MINING COMPANIES SUPPORTED EITI IMPLEMENTATION?

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### 17.4. Evidence

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The summary of company validation forms can be found in section E. All six companies completed and returned validation forms.

Companies included in the reconciliation largely complied with requests for information but otherwise only two companies stand out as regular participants and contributors to the MSG (Koidu Holdings and Sierra Rutile Limited).

### 17.5. Stakeholder Views

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Some civil society representatives are suspicious of company's commitment to EITI and good governance and similarly, some company's view civil society with suspicion and believe they do not treat them fairly. Those companies that have engaged extensively in EITI expressed their strong support and considered EITI as a useful tool to demonstrate that they are good corporate citizens.

### 17.6. Validator's Judgement

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Although the relationship between civil society and companies in Sierra Leone can be characterised as tense, the MSG has been useful in bringing them together and breaking down historic prejudices.

The Government and EITI coordinator could do more to involve a wider number of companies in the MSG and in the next reconciliation, specifically diamond exporters and companies holding oil and gas exploration licences.

## DISSEMINATION

## 18. WAS THE EITI REPORT MADE PUBLICLY AVAILABLE IN A WAY THAT WAS: PUBLICLY ACCESSIBLE, COMPREHENSIVE, AND COMPREHENSIBLE?

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### 18.1. Evidence

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The first reconciliation report was publicly launched, with printed copies distributed to many government offices, to media houses and to civil society organisations. Through the work of the communications sub-committee of the MSG, SLEITI has also developed a communication

strategy, which has not yet been implemented. The focus of this second-phase strategic communications plan is the dissemination of the first reconciliation report. The key outputs of this plan are the development of a SLEITI brand identity, outreach events publicising the first report and the production of information, education and communication materials. Part of the implementation of the strategy will include a summary version of the first report, translated into four languages (English, Krio, Mende and Temne), as well as radio jingles and other communications material such as a SLEITI newsletter. The English-language version of this abridged report has already been produced and disseminated.

## 18.2. Stakeholder views

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It is generally agreed that there has been insufficient dissemination of the first SLEITI report.

## 18.3. Validator's judgement

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### **The indicator has not been met.**

The Communication Strategy provides a clear basis for SLEITI to raise awareness on the need for transparency and accountability in the extractive sector in Sierra Leone and for better knowledge of the findings of the first reconciliation report. The identified deliverables have been given clear timings and have been fully costed. Again, the roles that different stakeholders will play in implementing the strategy have been considered. The issue is that most of the activities have yet to begin. The delay cannot for the most part however be attributed to SLEITI or the MSG. As of the time of the Validation mission, the funding expected from the German Development Agency GTZ has yet to be released. However, the SLEITI Secretariat would need to appoint a Communications manager (or consultant) in order to oversee implementation.

It should be noted that a deliverable currently missing from the communications strategy is a baseline awareness survey.

## **WHAT STEPS HAVE BEEN TAKEN TO ACT ON LESSONS LEARNT, ADDRESS DISCREPANCIES AND ENSURE EITI IMPLEMENTATION IS SUSTAINABLE?**

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EITI in Sierra Leone is in danger of falling into irrelevance if it continues on its current course. There has been insufficient attention paid to the lessons learnt on the back of the first reconciliation exercise and the Validator believes that SLEITI is unsustainable at present on its current course.

There are three critical issues at play:

- There is a lack of committed leadership for the process within government, either by accident or design. The EITI Champion has not attended MSG meetings and it was not possible to meet him during the Validation mission. The MSG itself functions more as a working group than a governance body. The attendees on both the government and the company side are not senior officials/representatives. As a result, the process has been sidelined within the government and there is a lack of integration and interest from the key government departments (Ministry of Finance, MMRPA, ACC and the NRA)
- There is no functioning SLEITI Secretariat. The lack of human resource, guided by a full time National Coordinator, is a serious issue for SLEITI. Without a secretariat the process has lurches from requirement to requirement as best it could, with the MSG

acting in a large part as a de facto secretariat. Elsewhere in other EITI implementing countries, three full time staff is considered the absolute minimum. SLEITI *has had sufficient funds* (from the MDTF and from the GoSL) to secure permanent accommodation, to hire staff and procure equipment. The delays therefore cannot be attributed to lack of financial support

- The legal framework for SLEITI is weak and insufficient. Sections 159 and 160 of the Mines and Minerals Act 2009 do not make explicit reference to EITI criteria, therefore SLEITI has no legal mandate to ensure its relevance in the long term. The MSG has no basis in law and no mandate to govern the implementation of EITI in Sierra Leone. The MSG's current MOU is insufficient and must be fully revised into a fully fledged TOR to ensure appropriate membership

It is the Validator's opinion that these three key failures mean that EITI in Sierra Leone is in danger of collapsing. The lack of government interest is mirrored by ambivalence on the side of donors to give the process any serious and long-term commitment. While both governments and donors are nonetheless very concerned that the country be delisted following this validation exercise, there is apparently less interest in strengthening the process until it becomes meaningful to the people of Sierra Leone. In this respect, the development of a sub-national SLEITI may be a key strategic opportunity (see *Section H* below).

With a brief opportunity to peer into the political economy of natural resource governance in Sierra Leone, the Validator is forced to conclude that without serious, genuine and sustained political, legal and material support, EITI in the country will swiftly become irrelevant. **Given that the history of grievances in Sierra Leone stemmed from corruption in government, and that the country's conflict was fuelled by the prolonged abuse of its natural resources, the lack of support for EITI to increase transparency, in the context of the yet to be fully implemented Mines and Minerals Act (2009) and the development of corresponding regulations, appears to the Validator to be a profound error and misjudgement.** We hope this report serves as a "wake-up call" for all stakeholders to take the development of an institutional framework that will enable a more transparent and accountable governance of natural resources in Sierra Leone more seriously.



## E. COMPANY IMPLEMENTATION

The major mining and exploration companies active in Sierra Leone were asked to complete the validation company forms via a fillable PDF form.

While both Sierra Rutile and Koidu Holdings responded “yes” to the first question, “Has the company made public statements in support of the EITI process in this country”, there was no reference to EITI on their websites.

It should be noted that the reconciler requested that the completed templates from each company should be signed off both a company representative as well as either a finance officer within the company or a third party auditing firm. Only one company, Cluff Gold, complied with this request. It is recommended that the existing completed templates from the five remaining companies for 2006/7 are signed off by a third party auditing firm and that all future reconciliations make this a mandatory requirement.

Company	Questions					Comments
	1	2	3	4	5	
African Minerals Limited	Yes	Yes	Yes	Yes	Yes	
Cluff Gold	Yes	Yes	Yes	Yes	Yes	
Koidu Holdings Limited	Yes	Yes	Yes	Yes	Yes	
London Mining Company	Yes	Yes	Yes	Yes	Yes	
Sierra Minerals	No	Yes	Yes	Yes	Yes	We were not aware the company had to make a public statement  It is encouraging to see that EITI wants to eliminate corruption in Sierra Leone
Sierra Rutile Limited	Yes	Yes	Yes	Yes	Yes	Sierra Rutile is in full support of the EITI



## F. OVERALL ASSESSMENT

The following represents the Validator's summary of the findings in narrative form.

### 1. SIGN UP

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The GoSL expressed commitment to implementing EITI from 2006 to 2008. However, since then, the political will for SLEITI to succeed has faded somewhat. SLEITI currently lacks a champion who is able to re-affirm to the Validator the GoSL's commitment to ensure transparent framework of oversight for extractive sector operations in Sierra Leone.

### 2. PREPARATION

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There has been reasonable progress on the set-up of the key aspects of EITI in Sierra Leone: The formation of the MSG, ensuring civil society and company engagement, developing reporting templates and hiring a reconciler (admittedly at a late stage). *The key deficit here is the failure to set up a functioning Secretariat, despite SLEITI having available funds.* Moreover, the first report was for the period of 2006-7. The time to act on lessons learnt and the recommendations made by the reconciler and begin preparations for reconciliations for 2008 and 2009 has already come. This includes considering again which companies, sectors and government departments should report and on what basis – i.e. an extensive discussion of materiality.

### 3. DISCLOSURE

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The first reconciliation exercise was a good start for SLEITI, based on what can at present only be seen as unreliable data. Although Verdi should be congratulated for their achievement, there is a sense in which the discrepancies uncovered perhaps significantly under-represent the size of the problem. While the majority of export revenues were captured in the first report, a large number of small mining and exploration companies operating in Sierra Leone were not reconciled. Again, many material payments were not recorded at the sub-national level. Finally, the serious problems identified within the NRA by the reconciler should sound alarm bells for the GoSL and its supporters – without adequate standards of record keeping the true contribution of natural resources in the country may never be realised.

### 4. DISSEMINATION

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There is very low awareness of SLEITI outside of the mining companies reconciled in the first report and the committed core of civil society stakeholders based in Freetown. While there is a clear sense of what needs to be done (encapsulated in the already developed communication strategy), there has been little communication work actually implemented, beyond the first step of printing and launching the first reconciliation report. The main reason for this however is because of a lack of funding.

For these reasons, the Validator recommends that at present SLEITI be judged to have made “meaningful progress” in terms of its implementation of EITI thus far in Sierra Leone.



## G. RECOMMENDATIONS FOR FUTURE IMPLEMENTATION

The following table lists the eight indicators which SLEITI currently does not currently comply with and the specific remedial actions required in order to reach full compliance. If SLEITI carries out these remedial actions, the EITI implementation process in Sierra Leone will be strengthened. In some cases options are given.

<b>Indicator</b>	<b>Status</b>	<b>Comments and required actions</b>
3. EITI Champion	Not met	SLEITI should formally appoint a new EITI Champion and produce a Terms of Reference to guide the role. The TOR should include activities, responsibilities and reporting relationships, as well as performance requirements.
4. Work Plan	Not met	<p>SLEITI should either: Develop a new 12-month work plan. The work plan should be given a fixed time period for implementation (the practice of extending and amending the current work plan should be discontinued). Or: Adjust the current 2010 work plan to conclude this year, or become the “2010-11 work plan.” This adjustment should take into account what is feasible, given funds and capacity constraints, within the allotted time frame.</p> <p>There should be quarterly reporting on progress from the SLEITI Secretariat (once it is set up) to the MSG.</p>
5. Establish MSG	Not met	<p>Draft Terms of Reference for the MSG which include the following components:</p> <ul style="list-style-type: none"> <li>• Statement of purpose</li> <li>• Details of voting procedures</li> <li>• Rules on quorum</li> <li>• The rights and responsibilities of each member</li> <li>• Length of tenure for members</li> <li>• Disciplinary measures for non-performance</li> <li>• Rules on election of members</li> </ul> <p>Membership from the government and companies should be reconsidered, with more executive-level participation. The reconstituted MSG should fulfil its role as a governance function and meet at fixed intervals.</p>

**Table 3: Actions Required to Reach Full Compliance**

8. Obstacles to implementation	Not met	<p>Although the Core Minerals Policy makes explicit reference to EITI, the new MMA does not. The MSG has to consider how it will therefore strengthen the legal framework for EITI in Sierra Leone. It may wish to push for dedicated SLEITI legislation, or, the MSG may consider it more feasible at this stage to include EITI Criteria within the technical regulations to the new MMA (which have yet to be finalised).</p> <p>The lack of a functioning Secretariat is also a significant obstacle to implementation. The MSG therefore needs to appoint full-time SLEITI staff (including at the least a National Coordinator, a Communications Manager or consultant and a clerical assistant) as well as move to a furnished office.</p>
12. Company reporting standards	Not met	<p>The MSG should ensure that companies submit data to the reconciler that is verified and signed by their auditors, as well as a company officer at minimum. For future reconciliation reports, the MSG should require that information submitted by large companies be identical to audited accounts, with the EITI templates signed off by an executive manager of the company and by an external auditor.</p> <p>Should SLEITI extend the scope of the reconciliation process to include small and medium sized companies who are not audited, it is recommended that unaudited records submitted be treated with less confidence than audited accounts.</p>
13. Government reporting standards	Not met	<p>The MSG should develop a programme of oversight (monitoring &amp; evaluation) work to ensure that NRA reforms are aligned with the reporting requirements of SLEITI and the recommendations from the first reconciliation report.</p>
15. Disclosure of government receipts	Not met	<p>The MSG should ensure that payments received by local/chiefdom councils are also disclosed in future reconciliation reports and that there is adequate time allotted for this.</p>
18. Dissemination	Not met	<p>Implement the Communication Strategy in full (this will require the hiring of a Communications Manager or consultant) once funding has been secured.</p>

## H. STRATEGIC OPPORTUNITIES

Over and beyond the specific actions outlined in the previous section, there are a number of opportunities for SLEITI to develop its remit over beyond the minimum requirements for EITI validation compliance. These are opportunities which the Validator wishes to recommend SLEITI to consider as part of their strategic planning but which are not conditions which have to be met in order for Sierra Leone to be an EITI compliant country. *It should be noted that these strategic opportunities should only be planned and implemented once SLEITI has achieved compliant status.* These are listed below:

- Extend scope of the second reconciliation exercise (for 2008/2009) to include a review of Mining Agreements (to determine what *should* be paid) and licence payments as well as physical and process audits. Although not core to EITI, reviewing these agreements would contribute significantly to the spirit of transparency in the extractives sector in Sierra Leone
- Build the capacity of the SLEITI Secretariat so there is sufficient capacity to prepare:
  - Communications materials and coordinate outreach events
  - Ad hoc technical reports when required and directed by the MSG
  - Liaison activities with key stakeholders
- Extend scope in future reconciliation reports to include a review of all existing oil and gas bid rounds
- Draft and lobby for a dedicated SLEITI Act
- Sub-national SLEITI: Set up and support District Council-level MSGs (where extractive operations occur) to enable bottom-up accountability pressure and create more traction for EITI in Sierra Leone. The idea of a sub-national SLEITI has significant appeal for civil society groups in the mining districts and may therefore be relatively easy to manage as there would be a degree of local ownership
- Develop a sustainability strategy for SLEITI which reduces donor dependency across time
- Ensure that SLEITI outputs are reported to key stakeholders such as the ACC and Ministry of Finance. In addition, SLEITI should ensure that key inputs, such as reports generated under MMA sections 159 and 160 are streamlined into the reconciliation process.





## ANNEX A: VALIDATION GRID

Indicator	Validator's Comments	Validator's Judgement
1. Public statement on EITI	The GoSL declared its interest to implement EITI in a statement at the third EITI Global Conference in Oslo and most recently at the launch of the 2010 reconciliation report.	Compliant
2. Govt commitment	The MSG is currently top-heavy with government representatives and functions more as a working group. The Chamber of Mines has yet to fully take off	Compliant
3. EITI champion	Recommended actions: Draft Terms of Reference, appoint a new EITI Champion, Review Institutional Framework	Not met
4. Work plan	Recommended actions: Develop new realistic/feasible 12 month work plan & quarterly reporting	Not met
5. Establish MSG	Recommended actions: Draft Terms of Reference for the MSG	Not met
6. Civil Society engagement	Civil Society groups are free to act independently of government. More work needs to be done to make SLEITI meaningful in the Provinces.	Compliant
7. Company engagement	There is room for further strengthening. Companies send mid-level representatives to the MSG and do not turn up for significant events (such as the Revenue Watch sponsored training). There is no representation from exporters/traders on the MSG.	Compliant
8. Obstacles to implementation	There needs to be further work done embedding SLEITI with legal frameworks in Sierra Leone. This can be done in a variety of ways. The SLEITI Secretariat at the same time needs to build its own capacity and institutionalise.	Not met
9. Reporting templates	The templates for the first reconciliation report were consultatively developed. Future reports can build on this solid foundation, extending the scope in the process.	Compliant
10. MSG approval of the reconciler	The MSG was satisfied with the procurement process and the competency of the appointed reconciler. There are however concerns about whether the budget for the initial report should be used as a benchmark for future reconciliation exercises, given the level of discounting Verdi had to accept.	Compliant

**Table 4: Validation Grid**

11. Ensuring companies report	To clarify which companies should report, SLEITI may wish to use the definitions within the Mines and Minerals Act 2009, in the next reconciliation report to include companies who hold 1) Exploration Licences, 2) Small-scale mining licences, and 3) large scale mining licences. SLEITI may also want to define revenue thresholds as the measure by which companies must report.	Compliant
12. Company reporting standards	Recommended actions: As indicator 7 & 11 recommendations	Not met
13. Government reporting standards	Recommended actions: SLEITI provide input to NRA on their reform programme and track progress to ensure minimum standards are met	Not met
14. Disclosure of payments	Recommended actions: As indicator 8 & 11 recommendations	Compliant
15. Disclosure of receipts	Recommended actions: Allow for more time for all future reconciliations	Not met
16. MSG views on reconciliation	The reconciler did a good job. However, as noted in other Indicators, the standards of data collection upon which the report is based need to be improved.	Compliant
17. Identification of discrepancies/ recommendations	Both discrepancies and remedial actions were identified in the report. However, as of the time of the validation, none of the recommendations have been addressed.	Compliant
18. Dissemination	Lack of available funds has hampered the implementation of the Communication Strategy for 2010.	Not met

## ANNEX B: STAKEHOLDERS CONSULTED

### 1. FREETOWN STAKEHOLDERS

Organisation	Contact	Position	Type
Ministry of Presidential and Public Affairs	Joseph Kanu	PS MPPA (& MSG Chair)	Government
SLEITI	Lamin Kenei	EITI Coordinator (& MSG member)	Government
UNDP	Peter Zetterstrom	Economist (MSG observer)	Donor
Ministry of Mineral Resources and Political Affairs	Jonathan Sharka	Director of Mines	Government
African Minerals Limited	Mustapha Kamara	Corporate Affairs (MSG member)	Company
Koidu Holdings	Ibrahim Kamara	Corporate Affairs	Company
Sierra Leone Association of Journalist	Umaru Fofana	MSG Member (President of SLAJ)	Civil Society
National Revenue Authority	James Sandy	MSG Member	Government
NACE	Cecilia Mattia	MSG Member	Civil Society
NMJD	Abu Brima	MSG Member	Civil Society
London Mining Company	Andrew Lane	Finance Director	Company
Cemmats	Andrew Keili	Consultant	Company
GTZ	Kai Schmidt	MSG Observer	Donor
Petroleum Resources Unit	Mr. TJ Nhabay	Acting Director General	Government
Cluff Gold	Alrassin Wurie	Local representative	Company
Mining Cadastre Office	Alusine Timbo	Assistant Government Mines Engineer	Government
Mining Cadastre Office	Eugene Norman	Assistant Government Mines Engineer	Government
Anti-Corruption Commission (ACC)	Morlai Buya-Kamara	Acting Commissioner	Government
DFID	Dominic O'Neil	Head of Office	Donor
Campaign for Good Governance (CGG)	Valnora A.C. Edwin	National Coordinator	Civil Society
Parliamentary Committee on Mining	Chernoh Bah	Chairman	Government
Ministry of Finance	Samura Kamara	Minister	Government
Gold & Diamond Office	Ibrahim Jinnah	Diamond revenue collector	Government
World Bank	Engilbert	Country Rep	Donor

**Table 5: Freetown Stakeholders**

	Gudmundsson		
World Bank	Dorian Vasse	EITI expert	Donor
National Accountability Group (local reps of Transparency International)	Lavina Banduah	Executive Director	Civil Society
Strategy & Policy Unit	Herbert M'cleod	Advisor	Government
Strategy & Policy Unit	Frank Kargbo	Advisor	Government

## 2. KONO AND PORT LOKO STAKEHOLDERS

**Table 6: Kono and Port Loko Stakeholders**

Organisation	Contact	Position	Type
NMJD	Sahr Samuel Joe	Animator – Kono	Civil Society
NMJD	Patrick Tongu	District. Manager – Kono	Civil Society
NMJD	Denis Momoh	Animator –Kono	Civil Society
Catholic Mission	Fr. Mario Zarantonello	Community Development Activist –Lunsar	Civil Society
Ministry of Mineral Resources	Dr.. Kolleh Bangura	Government Mines Engineer –Kono	Government
Kono District Council	Mr. Sahr Bengu	Councillor	Local Government
Kono District Council	Mr. Tamba Allieu	CA	Local Government
Ministry of Mineral Resources	Mr. J. P. Koroma	Mines Superintendent	Government
Ministry of Mineral Resources	Mr. Idrissa Koroma	Mines Monitoring Officer	Government
50-50 group	Sia Mondeh	Activist – Kono	Civil Society
VDC Tankoro	S.G. Kamanada	Chairman	Community Representative
VDCTankoro	Ibrahim Sebba	Member	Community Representative
VDC Tankoro	Mohamed Dabo	Member	Community Representative
VDC Gbense	Sahr Nyama	Member	Community Representative
VDC Gbense	Chief Kamanda	Speaker	Community Representative
VDC Gbense	A. Daramy	Treasury Clerk	Community Representative
VDC Kamara	Komba Mani	Member	Community Representative

Organization	Name	Role	Sector
VDC Nimikoro	Sahr Kabba	Member	Community Representative
Tankoro Chiefdom	P.C. Saquee	Paramount Chief	Community Representative
Nimikoro Chiefdom	P.C. Bona	Paramount Chief	Community Representative
Sandor Chiefdom	P.C. Fasuluku	Paramount Chief	Community Representative
Nimiyama Chiefdom	Chief Koroma	Speaker	Community Representative
Kamara Chiefdom	P.C. Ngagia	Paramount Chief	Community Representative
Kasim Basma Ltd	Mohamed Dayeck	Exporter Agent	Private Sector
Kasim Basma Ltd	Alhaji U. Conteh	Exporter Agent	Private Sector
Diamond Dealers Association	Prince Saquee	Dealer	Private Sector
Diamond Dealers Association	S. T. Jabba	Dealer	Private Sector
Diamond Dealers Association	Sahr Foray	Dealer	Private Sector
Diamond Dealers Association	Alex Pessima	Digger/Dealer	Private Sector
Diamond Dealers Association	Sahr A. Komassi	Digger/Dealer	Private Sector
Diamond Dealers Association	Aiah P.K. Fomba	Miner	Private Sector
Diamond Dealers Association	Edison Borbor	Miner	Private Sector
Milestone	David A During	Geologist	Private Sector
London Mining Company	Abu B Karim Geologist	Geologist	Private Sector
Komafeneh	Sahr Musa Chairman	Chairman	Community Representative
Komafeneh	TambaManga	Member	Community Representative
Affected Property Owners Association	Alex M. Rogers	Administrator	Community Representative
Affected Property Owners Association	Pa Mbogba	Member	Community Representative
Komafeneh	AlhajiTuray	Member	Community Representative



## ANNEX C: THE MULTI-STAKEHOLDER GROUP

Table 7: Members of the MSG	
Name	Organisation
Mr. Moray S. Kebe	MPPA/OCOS
Mr. James F. Sandy	NRA
Mdm. Cecilia C. Mattia	NACE
Mrs. Fracess Nyuma	ONS
Mr. Sinneh Kargbo	Audit
Mr. Mustapha M.K. Sesay	SLAJ
Mr. Alusine Jalloh	Sierra Rutile Limited
Mr. Emmanuel T. Komba	MMRPA
Mr. Abu Brima	NMJD
Dr. Mustapha O. Thomas	NACE
Mr. Mohamed Lebbie	Parliament
Mr. Raymond K.M. Bindi	Min. of Local Govt
Mr. Ibrahim Sorie Kamara	Koidu Holdings
Mr. Lamin Kenei	MPPA/OCOS
Mr. Mohamed Edmond	Min. of Finance
Mr. Umaru Fofana	SLAJ
Mr. Mustapha Kamara	African Minerals
Ms. Isatu Conteh	ONS
Mr. Joseph T. Kanu	MPPA/OCOS
Mr. Mohammed J Foday	NRA





## ANNEX D: TRANSPARENCY PROVISIONS IN THE MINES AND MINERALS ACT

Transparency in the extractive industry	<p>159. For the purpose of realising its objectives under this Act, the Minister shall-</p> <ul style="list-style-type: none"><li>(a) develop a framework for transparency in the reporting and disclosure by persons engaged in the extractive industry, of revenue due to or paid to Government;</li><li>(b) request, as may be deemed necessary, from any person engaged in the extractive industry, an accurate record of the cost of production and volume of sale of minerals extracted by such person at any period;</li><li>(c) request from any person engaged in the extractive industry, an accurate account of money paid by and received from such person at any period, as revenue accruing to the Government for that period;</li><li>(d) ensure that all payments due to the Government from a person engaged in the extractive industry, including taxes, royalties, dividend, bonuses, penalties, levies and such like, are duly made; and</li><li>(e) disseminate by way of publication or otherwise, records, reports or any information concerning the revenue of the Government from the extractive industry, at least annually.</li></ul>
Duty to report revenue payments to government	<p>160. (1) A person engaged in the extractive industry shall submit to the Minister not later than fifteen calendar days after the end of each quarter of a year-</p> <ul style="list-style-type: none"><li>(a) a general report on his activities and revenue payments made to the Government, including taxes, royalties, dividends, bonuses, penalties, levies and such like for that period; and</li><li>(b) a report on payments made to landowners, lawful occupiers, Paramount Chiefs, or Chiefdom Committees, including surface rents, development project contributions, material contributions towards vehicles, buildings or other civil works.</li></ul> <p>(2) A person engaged in the extractive industry who-</p> <ul style="list-style-type: none"><li>(a) fails to comply with subsection (1); or</li></ul>

(b) gives false or misleading information or report regarding its volume of production, sales and income; or

(c) renders a false statement of account resulting in the underpayment of revenue accruable to Government, commits an offence and shall be liable on conviction to a fine not less than ten thousand United States Dollars or its equivalent in leones or to imprisonment for a term not exceeding one year in the case of an individual, to a fine not less than twenty thousand United States Dollars or its equivalent in leones, in the case of a co-operative, and to a fine not less than forty thousand United States Dollars or its equivalent in leones in the case of a body corporate.

#### Definitions

161. For the purposes of sections 159 and 160, “a person engaged in the extractive industry” includes any agency or body responsible for payment or reporting of payment of extractive industry revenues to Government; and “extractive industry” includes the business of reconnaissance, exploration, mining, extracting, processing.