

Validation of Sierra Leone
Response to MSG Feedback
CowaterSogema Independent Validator
16th April 2019

The Validator wishes to thank the MSG for their helpful and considered feedback. What follows is the Validator's response to the feedback from the MSG.

Requirement 2.5: Beneficial Ownership

We acknowledge the MSG clarifications regarding beneficial ownership. However, the assessment remains "not required".

Requirement 4.3: Barter and Infrastructure Transactions

We have received and considered clarifications from MSG regarding Barter and Infrastructure Transactions. Report claimed there were no barter or infrastructure without providing the evidence to that effect. No evidence was provided that there were active mineral rights during the year under review. Initial assessment of "non-applicability" by IA and MSG was not considered as there was no evidence for reaching this conclusion. Considering above points the original assessment of "inadequate progress" is retained.

Requirement 4.6: Sub-national payments

Clarifications from MSG are considered and initial assessment of "inadequate progress" is retained as no new information regarding sub-national payments is provided. Initial assessment was arrived at mainly due to non-availability of public overview of all sub-national payments, reconciliation of only surface rent was made (only 3 companies participated) which was not based on materiality, the payments were not disaggregated by Government as required.

Requirement 5.2: Sub-national transfers

The report lacks disclosure of notional or estimated transfers as based on revenue sharing formula. It is not possible to calculate value of notional sub-national transfers. The report didn't provide value of executed sub-national transfers and value of sub-national transfers in 2016.

Above factors among others were considered based on which initial assessment of "inadequate progress" was assigned to this provision and is still retained as the information regarding deviations of actual transfers from notional/sub-national transfers is still missing.

Requirement 6.1: Social Expenditures

Comments and clarifications of MSG regarding social expenditures are received, acknowledged and considered. Only 1 out of 8 reporting companies had reported payments without explanation or justification why the rest of 7 companies had not reported for mandatory payments or reconciliation of payments was made. The report didn't provide any information regarding voluntary payments on social expenditures under this provision.

MSG comments did not provide sufficient information to change initial assessment "inadequate progress" which is maintained.

Recommendation C5 (for requirement 2.2: License Allocations)

C5. In accordance with Requirement 2.2, Sierra Leone should publicly disclose the procedures for awarding and transferring all extractives licenses, including specific technical and financial criteria and any non-trivial deviations from the applicable legal and regulatory framework.

We acknowledge the response from the MSG regarding the clear provisions in the Mines and Minerals Act and related regulations, clearly explaining the procedure and processes involved in the granting and transferring of a mineral right.

However, the Secretariat assessment made several criticisms, including:

- the coverage of artisanal mining licenses in the report
- lack of clarity whether the technical and financial criteria assessed by the board, i.e. methodology associated with assessments of license applications, was statutory according to regulations or laws.
- Insufficient documentation of the method used for assessing deviations from license awards procedures, without clarifying the non-participation of CSOs at the Minerals Advisory Board for instance.

For that reason, the recommendation remains.

Language in validation report

We acknowledge the MSG's request to change the term 'tax and royalties' to 'tax and non-tax payments', and two changes have been made in the final validation report. We have separately changed the wording of the first paragraph of the Executive Summary in order to satisfy a separate request made by the MSG. Additionally, we have referenced iron ore prices specifically, given the importance of iron ore prices to Sierra Leone.