

**DRUM COMMODITIES LIMITED – COUNTRY REPORT**

**SIERRA LEONE**

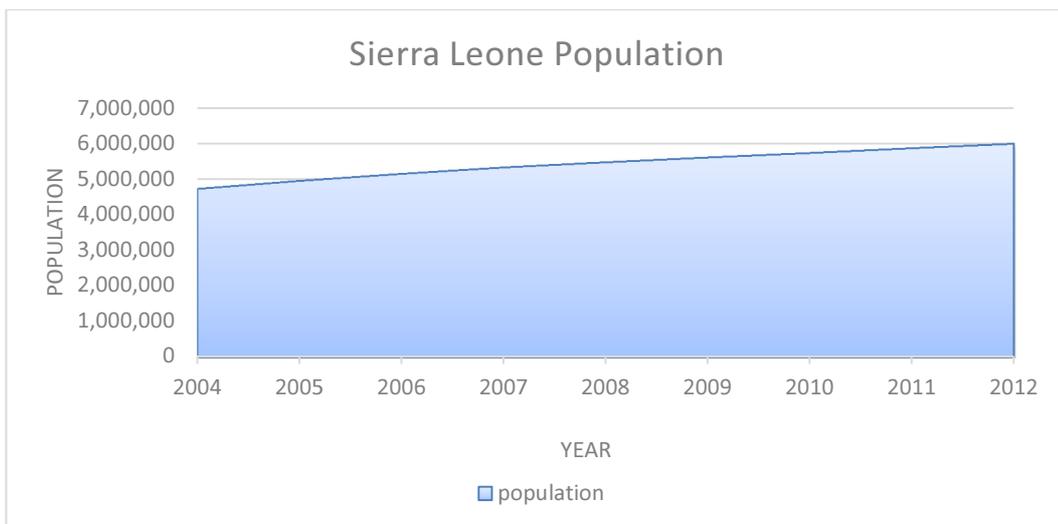
**1. GENERAL**

1.1 Total area: 71,740 sq. km (27,699 sq. mi).

1.2 Sierra Leone is a West African nation between 7 and 10 degrees north (a small area is south of 7 degrees). The country is bordered by Guinea in the North and Northeast, Liberia in the South and Southeast and the Atlantic Ocean in the South and Southwest. There are three key provinces in Sierra Leone, Northern, Southern and Eastern.

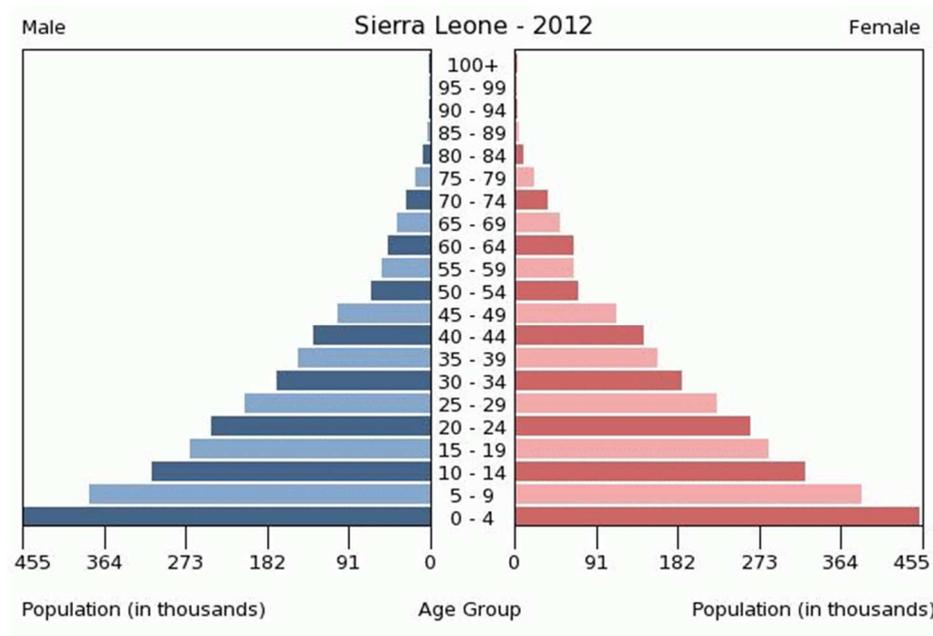


1.3 The population has increased from 2.187 million in 1960 to circa 6.1 million in 2013. The population growth is the 39<sup>th</sup> fastest in the world, with an increase of 2.28% per year. The largest city and capital is Freetown with a current population of 1.5 million.



- 1.4 The climate is tropical with rainy season starting in May and terminating in November, and dry season starting in December and ending in May.
- 1.5 Currency is the Sierra Leonean Leone (US\$1 = 4381 SLL)
- 1.6 Average annual income per person is \$400 although inequality in income distribution is a major problem.
- 1.7 The population is spread fairly evenly across the country. A relatively small population reside in a large land area, with a population density of 81.93 people per sq.km.
- 1.8 The age structure of Sierra Leone acts as proof of continuation of population growth:

0 to 14 years of age	41.8%
15 to 24	19.2%
25 to 54 years of age	31.2%
55 years of age+	7.8%



- 1.9 Life expectancy is 48 years.
- 1.10 Sierra Leone is predominantly a cash nation, and few businesses use credit cards.

**2. HISTORY**

- 2.1 Abolition of the slave trade in 1807 allowed for the liberation of thousands of Africans, many of whom settled in Sierra Leone and predominantly, Freetown. This influx of new inhabitants was primarily from the west coast of Africa.
- 2.2 The colonial era came under threat from the early 20<sup>th</sup> Century amid growing desire from Sierra Leoneans for independence. Many unsuccessful revolts against British colonisation took place in the first half of the 20<sup>th</sup> century. The most prevalent attempt at revolt was the Hut Tax war where there were over 200,000 fatalities. Despite its bloody nature it bought the majority of violence in Sierra Leone to a close. However, riots and strikes continued until independence was granted on 27<sup>th</sup> April 1961.

- 2.3 Former chief minister, Sir Milton Margai became President in light of the country's new independence. Sierra Leone opted for a parliamentary system within the British Commonwealth.
- 2.4 After the death of Margai, pressure from several coup attempts lead to a far more authoritarian approach by the new president Siaka Stevens of the APC (All Peoples Congress). He removed the rival SLPP (Sierra Leone Peoples' Party) from competitive politics and all general elections, some believed, through the use of violence, intimidation and corruption. The country became a one party state until 1990 when mounting political and economic pressure forced a constitutional review of the one party policy. The government was accused of false information and civil war was sparked for a decade from 1991-2001.
- 2.5 A UN-backed war crimes court was set up to try those from both sides who bore the greatest responsibility for the brutalities. The case only ended in 2012 with judges finding the former Liberian leader Charles Taylor guilty of aiding and abetting war crimes in the Sierra Leone civil war.

### **3. POLITICS**

- 3.1 Sierra Leone is a constitutional republic. Ernest Bai Koroma is the current President of Sierra Leone, making him the head of state, including leader of government, commander in chief of the armed forces, and head of police.
- 3.2 Each of the country's 14 districts are represented in parliament, which is predominantly made up of two political parties, the APC and the SLPP. It has been since independence that both the APC and the SLPP have dominated the country's politics.
- 3.3 Sierra Leone has diplomatic relations with Libya, Cuba, Iran and China. Furthermore the country has maintained good relations with the west including the US. It also has historic ties with the UK and former British colonies through the Commonwealth of Nations. Economic Community of West African nations (ECOWAS), has allowed for relations with other West African nations to develop in positive ways, in terms of economic growth and improved infrastructure.
- 3.4 In addition to this, Sierra Leone is a member of the United Nations, the African Union, the African Development Bank, the international court and the organization of Islamic cooperation.
- 3.5 Officials in Sierra Leone are under scrutiny for knowingly manipulating finances implemented for the benefit of others only to help themselves. An example of this is the missing US\$3m that disappeared in the custody of a contracted government arms purchasing agreement. It is widely believed that the money was split among a group of rogue officials. It is reminiscent of the officially staged airport heist of the 'Star of Sierra Leone' diamond (the third largest diamond in the world), masterminded by Siaka Stevens and his APC government in 1971.
- 3.6 The government is now making more effort to crack down on corruption in all industries. (5.2)
- 3.7 In Sierra Leone corruption is a major problem, with data on the control of corruption showing the country to be well below the sub-Saharan African average. A 2010 survey by the Sierra Leone Anti-Corruption Commission showed that 94% of Sierra Leoneans have experienced some form of corruption. In 2012 Sierra Leone ranked 123 out of 176 countries in the Corruption Perceptions Index published by Transparency International. Sierra Leone lies in the bottom 25% of the World Bank's Control of Corruption Index. It ranges from the everyday, such as demanding bribes to use basic services, to the larger scale misuse of public goods for private gain by public officials, to major crime such as the attempted robbery of the 'Star of Sierra Leone' (see 3.5)

### **4. MAIN INDUSTRY AND ECONOMY**

- 4.1 Sierra Leone is emerging from civil war and is showing signs of a steady recovery. Rich in minerals, it has relied on mining for its economic base. The country is among the top ten diamond producing nations, behind countries such as Russia, Canada and African nations such

as Liberia and Botswana. Mineral exports remain the main foreign currency earner. Though rich in diamonds and indeed other raw materials, the country has historically struggled to manage imports and exports. Smuggling of diamonds is also a huge problem, from blood diamonds for arming rebels, to smuggling diamonds for money. Subsistence agriculture comprises the mainstay of the rural Sierra Leonean economy. Cash crops such as coffee, cocoa, peanuts, and tobacco are also important, as are small-scale marketing and commodity trade.

4.2 Sierra Leone's foreign investment boom, mainly in iron ore and diamond mines but also in roads and new homes, has created small islands of prosperity.

4.3 Inequality in income distribution is affected by social unrest that hinders economic development. This accounts for all the subsistence farming that goes on, aiding individual families rather than the economy as a whole.

4.4 Primary industries:

- Diamond mining.
- Small Scale manufacturing
- Petroleum.
- Commercial ship repair.

4.5 Exports:

- Diamonds
- Rutile (Mineral)
- Cocoa
- Fish

4.6 Export- Partners:

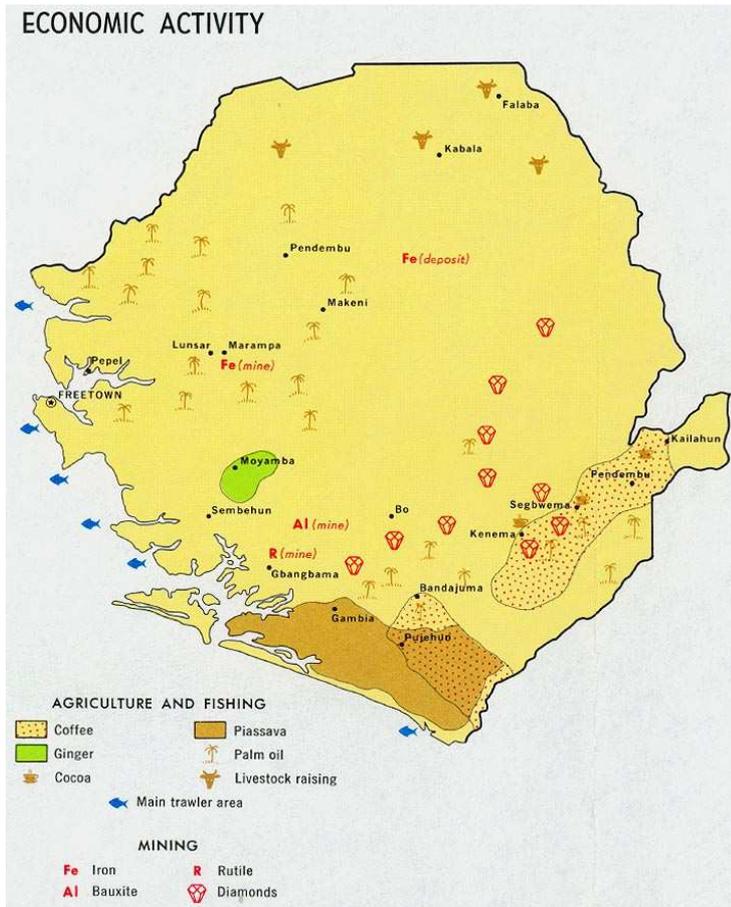
- Belgium 28.8%
- Romania 12.5%
- Netherlands 9.2%
- China 7.3%
- USA 6.9%
- Turkey 6%
- UK 5.8%

4.7 Imports:

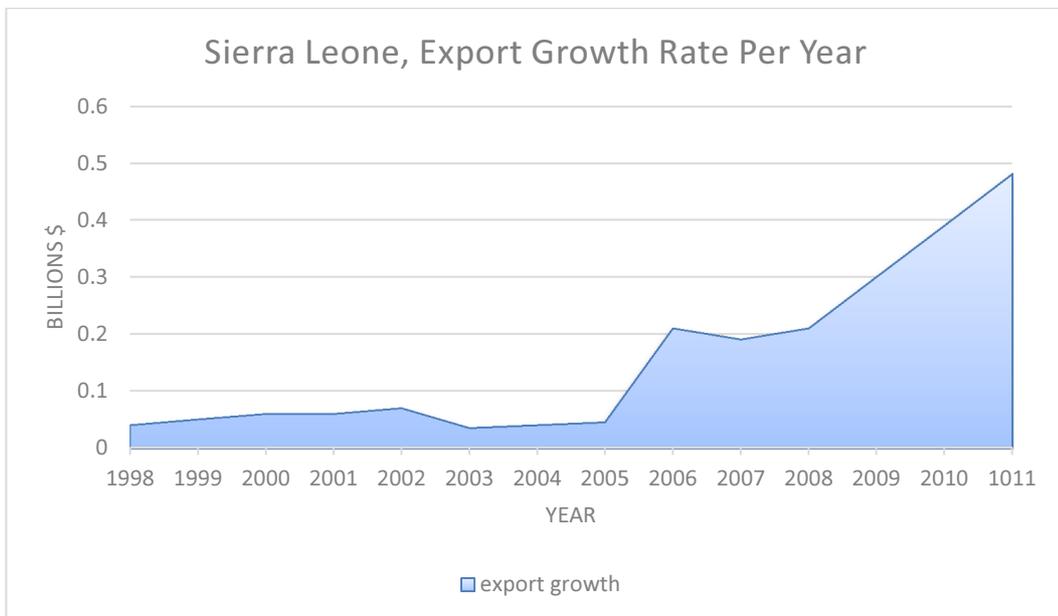
- Food
- Machinery and Equipment
- Fuels
- Chemicals

4.8 Imports- Partners:

- China 16%
- South Africa 11.1%
- USA 7.3%
- UK 7.1%
- India 5.7%
- Malaysia 4.3%

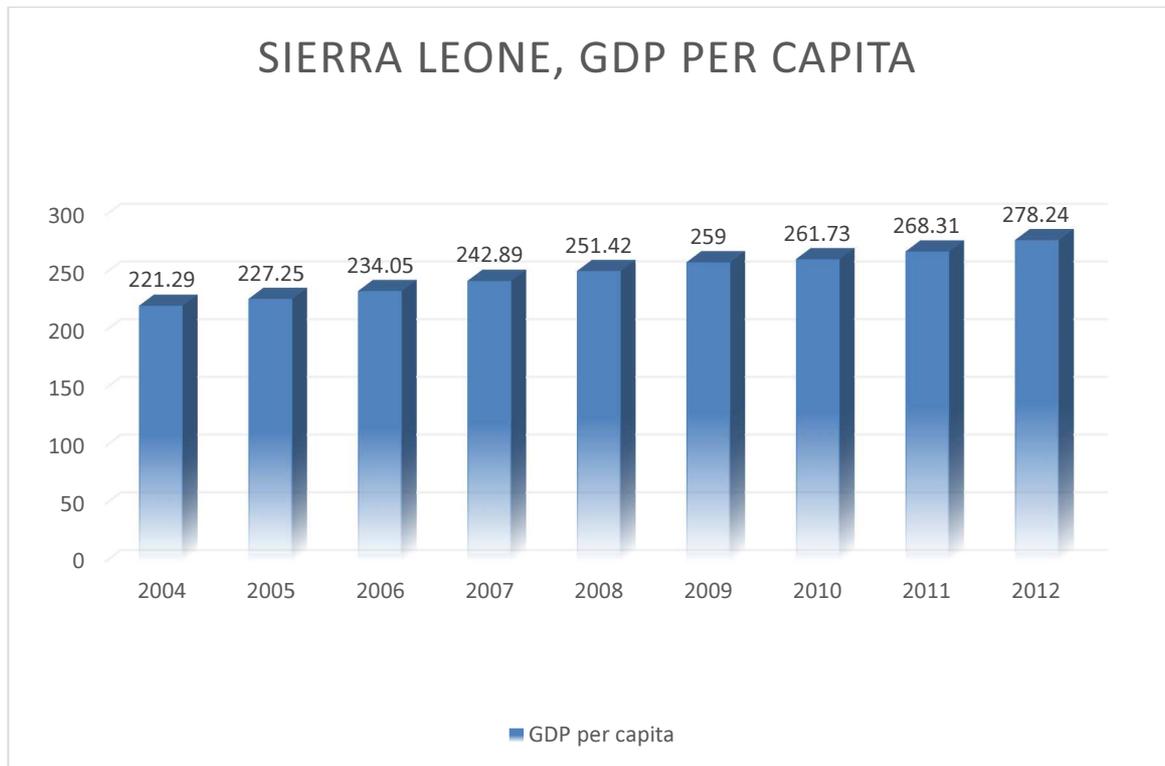


4.9 The map above shows areas of specific industry in Sierra Leone. The graph below shows Export growth in Billions of US Dollars over the last 13 years.



4.10 Since the end of the civil war, and with the help of external loans, the economy of the country is steadily recovering. With a GDP of £1.3 billion dollars in 2010, and a growth rate of between 4 and 7% per year. The recovery should continue and the economy continue to grow if corruption is kept to a minimum and heavily combated by the government. Despite progression, around half the entire revenue comes from donations.

- 4.11 A key element of Sierra Leone's recovery will rely on the diamond sector, of which the government, has promised reform. The fate of the economy depends upon the maintenance of domestic peace and the continued receipt of substantial aid from abroad, which is essential to offset the severe trade imbalance and supplement government revenues. The UK remains Sierra Leone's largest donor, providing US\$80m in the last fiscal year, including support for the health sector, anti-corruption efforts, security sector reform, and access to justice. In July 2011 the World Bank gave \$20m to be used over three years to address high unemployment. Furthermore, the EU gave \$73.7m to support infrastructure, agriculture, and governance. And on 31st of March 2013, the Global Environment Facility's Least Developed Countries Fund (LDCF) granted US\$18.6m to be channelled by the African Development Bank (AfDB) to Sierra Leone, Uganda and Mauritania. This recent work is regarded as critical with regards to poverty reduction in Sierra Leone, and these are just a few examples of the external funding that is helping the rapid development of the country.
- 4.12 Annual production of Sierra Leone's diamond industry estimates a range of between 167 and 200 million pounds per year, however unofficial figures suggest that a further 134 million pounds are smuggled for various reasons including money laundering or financing illicit activities. Research suggests that as much as 50% of the diamonds mined in Sierra Leone are smuggled.
- 4.13 Profit from the diamond mining industry ends up predominantly in private companies or corrupt officials rather than benefiting the government or people. (See 3.7)
- 4.14 The National Advocacy Coalition on Extractives (NACE), suggests that with the correct instigation of the promised institutional reforms from the government, Sierra Leone will be able to increase its mineral exports by 7X by 2020.
- 4.15 If these projections are correct then Sierra Leones mining exports could be on a par with nations such as Botswana whose mining industry accounts for over 38% of its GDP. Indeed, the president has stated, 'I offer you my personal assurances that our economy is stable and open again for business to all investors. Our abundant natural resources in the gold, diamonds, fishing and tourism industries, to name a few, promise healthy returns on all investments'.
- 4.16 Two thirds of the population engage in subsistence agriculture, although the government is trying to move away from this and focus on farming for cash in an attempt to improve the economy. The government is currently working with foreign donors to create integrated rural development and agricultural projects for the benefit of the economy. Just 4% of exports in 2010 were a result of agriculture.
- 4.17 On 22<sup>nd</sup> September 2009, the government signed the Comprehensive Africa Agricultural Development Programme (CAADP), which will raise the total budgets spending on agriculture to 10%, compared with in 2007 when it accounted for just 1.9% of the budget. Sierra Leone currently relies on food import.
- 4.18 Despite Sierra Leone's substantial growth in recent years, it remains bottom of UN's league for human development. Average wages are US\$0.5 pence per working man per hour.



## 5. SAFETY AND SECURITY

- 5.1 Since the civil war there have been vast improvements in terms of safety when travelling in Sierra Leone. The UN peace keeping mission withdrew in 2005 in light of encouraging signs of recovery. As head of security, the present is making steps to increase both professionalism and capabilities of both the military and the police force. Despite its efforts, security in Sierra Leone still falls short of more economically developed countries standards.
- 5.2 Despite improvements in security, Sierra Leone has one of the worst crime and corruption rates in western Africa. With over 70% of the population stating that they do not trust the police force.
- 5.3 The US department of state suggests that all areas outside the capital lack many basic services, and therefore all travellers are all advised to take caution in all areas.
- 5.4 According to the British and Foreign Commonwealth Office, travel outside the capital after dark is not safe and to be avoided by all travellers as emergency response is non-existent.
- 5.5 A common issue is the formation of unauthorised, often armed, road blocks outside major cities where money may well be demanded by the personnel manning the roadblock.
- 5.6 US and UK citizens are advised to steer clear of large crowds and political demonstrations. Furthermore, it is advised that when on foot keeping an awareness of your surroundings is essential.
- 5.7 The British and foreign commonwealth office suggest that no method of transport in Sierra Leone is without risk, and risk levels are particularly heightened at night.
- 5.8 The Sierra Leone ministry of health introduced a system of security in storage and inventory control at all warehouses stocking medicine. Previously over US\$1m worth of medicine stock had been stolen and sold on the black market. The main aims of the project were to ensure accountability and increase security thus decreasing theft. The system was effective for a few years from 2009 but ultimately broke down due to economic and social problems, as well as corruption within the system itself.

- 5.9 The country was identified as one of the major gateways in West Africa for cocaine trafficking. The setup by the UN of the joint drug interdiction task force has helped to combat drug trafficking by rallying all competent law enforcement facilities against the problem.
- 5.10 During the civil war, the armed forces were reduced from 15,000 to 7,000 as a result of the fight against the rebels; and has slowly been increasing since, to around 10,000, despite cuts in spending as well as cuts in training staff. The Army is positioned predominantly along the border, and have major barracks in Freetown, Bo and Kenema.
- 5.11 In September 2010, the UN Security Council removed the last restrictions against Sierra Leone, declaring the government fit to rule, having fully re-established control over its territory since the disruption of the civil war, and former rebel fighters had been disarmed and demobilised under the support of the reformed national army.

## **6. CULTURE**

- 6.1 Islam is the primary religion comprising 60% of the total population, between 20 and 30% are Christian, and anywhere between 5 and 10% practise indigenous and varying beliefs.
- 6.2 Though traditionally Muslims resided in the north, with Christians settled in the south, it is now far more mixed and a combination of religions can be found in all provinces.
- 6.3 Sierra Leone is home to 16 ethnic groups, each with its own language, they are, from largest to smallest, Temne, Mende, Limba, Loko, Fula, Mandingo, Creole, Sherbro, Kuranko, Kono, Susu, Kissi, Yalunka, Oku, Vai and Kru.
- 6.4 Women traditionally live under the authority of the men they marry, have fewer legal rights, less formal education, and lower literacy rates.

## **7. HEALTH**

- 7.1 The UN estimates that Sierra Leone has the highest death rate in the world in 2007, and the second highest infant mortality rate (195 out of every 1,000 infants die within a year of birth). Furthermore in 2012 Sierra Leone was 6<sup>th</sup> in the maternal mortality rate in the world.
- 7.2 Life expectancy at birth in 1995 was only 34.1 years.
- 7.3 Public healthcare has been improving since the end of the civil war.
- 7.4 1.6% of the population is affected by HIV/Aids. This is higher than the world average of 1% but far lower than the sub Saharan average of 6.1%.
- 7.5 Free healthcare, and medical insurance was launched in 2010 for all pregnant or breastfeeding women, as well as children under the age of 5. The scheme was largely funded by the UN and, individually, the UK, which paid for the refurbishment of hospitals and a constant stream of medical supplies into the country. Currently, 60% of the healthcare budget comes from foreign aid.
- 7.6 Healthcare workers had gone on strike over the plans in March 2010 arguing that free healthcare would increase their workload and working hours, the government settled the dispute with pay rises of 200-500%
- 7.7 The system is estimated to save more than 1 million lives over the next 30 years.

## **8. INFRASTRUCTURE**

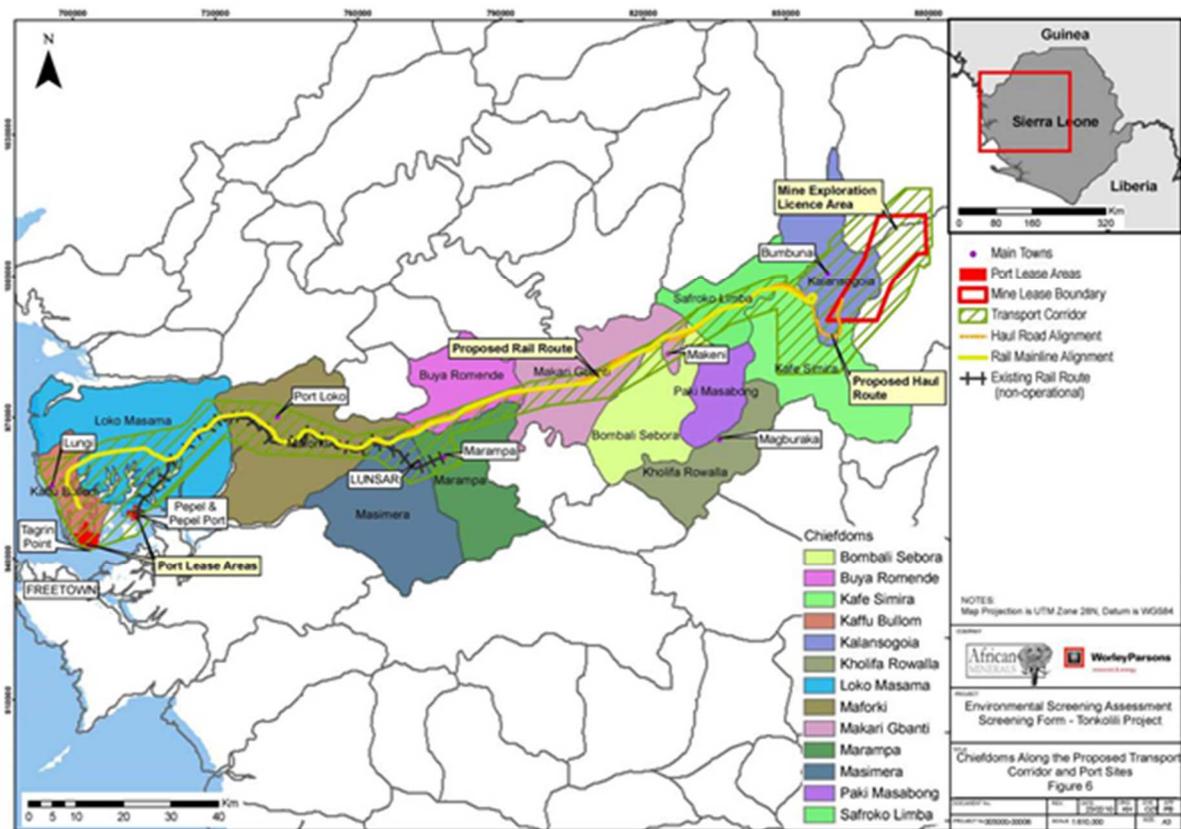
- 8.1 The civil war was to blame for the deterioration of much of Sierra Leone's infrastructure.
- 8.2 There is a total of 11, 300km of roads, less that 936 of which are paved, ranking it 132<sup>nd</sup> out of 196 in the world. The Masiaka-Bo highway was created in 2010 improving infrastructure, it was jointly funded by the UN and Sierra Leone. Once the reconstruction of certain roads is

complete, the Trans west African Coastal Highway will run through Sierra Leone, linking it to all 11 nations of ECOWAS.

- 8.3 Sierra Leone has 10 Airports, 3 of which are paved; including the busiest, Lungi International airport.
- 8.4 There are 52 miles of railway in Sierra Leone none of which are common carrier railroads. Talks have been held with Russia in recent years to help improve the railroad system however have since been put on hold due to the original gauge size being out-dated, and Sierra Leone struggling to finance regulation sized gauges.
- 8.5 Freetown boasts the 3<sup>rd</sup> largest natural port in the world, however this is the country's only deep water port capable of accommodating large vessels.
- 8.6 Less than 10% of the population has access to electricity. It is mainly restricted to the major towns and even this supply is unreliable. There are exceptionally high energy prices due to inefficient and outdated generators, and it is one of the government's priorities with regards to the poverty reduction strategy. Corporations such as the World Bank are working on projects with Sierra Leone to reduce energy losses in Freetown and other areas, as well as improving the commercial performance of the national power authority, and increasing access to electricity in selected rural areas.

## **9. FOCUS ON THE TONKOLILI IRON- ORE PROJECT**

- 9.1 In August 2010 the Government of Sierra Leone approved the Mining Lease for the Tonkolili iron ore project which includes two Large Scale Mining Licences. The licences are each valid for a period of 25 years, following which they will be renewable for further 15 year periods in accordance with the Mines and Minerals Act 2009.
- 9.2 African Minerals Limited (AML) is a mineral exploration company based in London. The company has significant iron ore and base metal projects in Sierra Leone.
- 9.3 The mining site has the potential for 60 years of mining, so it is a long term project. Despite this, it provides a rapid income source for Sierra Leone. African Minerals has been granted an exclusive 99 year lease by the Sierra Leone Government to build and manage key rail, port and infrastructure projects. These engineering works will improve Sierra Leone's infrastructure while the Company will benefit from significant acceleration of the production and extraction of iron ore. The new facilities will be made available to other users, including other mining companies and general freight and passenger transport companies.
- 9.4 The new infrastructure investment will provide excellent facilities servicing both Sierra Leone and the ECOWAS. This in turn would enable both Sierra Leone and neighbouring countries to widen their export reach to further international markets.
- 9.5 The contract states that, a Mining Lease fee of US\$1m per annum will be paid to the government. Furthermore, a 3.2% royalty of the gross sales price of iron ore production will aid the country in certain ways which include 0.1% to be contributed to an environmental and social protection and impact mitigation fund, and 0.1% to a community development fund for the benefit of communities impacted by the projects.
- 9.6 Below is a map of the Tonkolili project and the areas affected by it.



**10. EDUCATION**

- 10.1 Education is a legal requirement in Sierra Leone for a total of nine years per person, six years in primary education and a further three in secondary. Senior secondary school and university are both options in Sierra Leone.
- 10.2 Education numbers have greatly increased since the end of the civil war.
- 10.3 Two thirds of the adult population are illiterate. This statistic was not helped by the destruction of 1,200 schools during the civil war, leaving 67% of the school aged population at the time completely uneducated.
- 10.4 Currently, the 15-24 year old literacy rate is at 52.2%, compared to the older citizens, where the literacy rate is still high, but considerably lower, at 37.1%. Literacy rates among women is far lower than men.
- 10.5 Sierra Leone plans to reform the education system by implementing quality basic education that is free and easily accessible. Furthermore, a target of increasing the average literacy rate to 50% by 2015 has been implemented. In addition to this, the number of qualified teachers is set to increase by 30% by 2015.

**11. SUMMARY**

- 11.1 Sierra Leone is a developing democracy that has made notable economic gains. It is emerging as one of the most stable countries in a volatile region including the other members of ECOSWAS. It now contributes significantly to United Nations peacekeeping operations, including the UN Mission to Darfur.
- 11.2 Infrastructure improvements are a priority for the government, with highways being paved and electricity supplies being made more consistent etc. Deals have been made with companies such as African Minerals limited on the grounds that in exchange for Sierra Leones abundance

of natural minerals, improvements to infrastructure and economy will be made. An example of this is the Tonkolili project through which 200km of Railway is being restored as well as roads repaved and money given back to the communities who have been effected by the mining project.

- 11.3 The government also has passed one of Africa's toughest anti-corruption laws, made high-profile arrests, and secured convictions in a majority of its prosecutions.
- 11.4 On the 17<sup>th</sup> November 2012, presidential and parliamentary elections were held, with over 87 percent of the public participating, the ruling All People's Congress (APC) party and President Koroma were re-elected with over 58 percent of the vote in a generally peaceful process that marked the third consecutive successful election since the end of the war.
- 11.5 Despite its best efforts to oust key issues, Sierra Leone continues to face ingrained corruption, deprived health conditions, poor governmental institutions, large unemployment, sluggish economic growth, an abundance of poverty, and insufficient social services.
- 11.6 Sierra Leone relies on significant amounts of foreign assistance, principally from multilateral donors; the United Kingdom is among the largest donors. Donor countries used to contribute about 60 or 70% of the national government budget, this has since been reduced to around 40%, the rest is financed by the country itself.
- 11.7 Sierra Leone has developed since the end of the civil war, the state is still, however, very weak. Principal issues lie in the legal and security institutions, and corruption endemic. If the combat against these issues is successful, Sierra Leone could provide strong investment in many industries through its rich natural reserves. Significant progress has been made since the end of the civil war, and although development is evident, there is further room for far more a far more rapid growth rate.