

# Sierra Leone

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RISK & COMPLIANCE REPORT

DATE: January 2017

<b>Executive Summary - Sierra Leone</b>	
<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<b>Medium Risk Areas:</b>	US Dept of State Money Laundering assessment Weakness in Government Legislation to combat Money Laundering
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b>            rice, coffee, cocoa, palm kernels, palm oil, peanuts; poultry, cattle, sheep, pigs; fish</p> <p><b>Industries:</b>            diamond mining; small-scale manufacturing (beverages, textiles, cigarettes, footwear);            petroleum refining, small commercial ship repair</p> <p><b>Exports - commodities:</b>            diamonds, rutile, cocoa, coffee, fish</p> <p><b>Exports - partners:</b>            China 50.5%, Belgium 18%, Japan 7.6%, Turkey 4.8% (2012)</p> <p><b>Imports - commodities:</b>            foodstuffs, machinery and equipment, fuels and lubricants, chemicals</p> <p><b>Imports - partners:</b>            China 16.3%, India 10.1%, South Africa 7.1%, US 6.6%, UK 6.6%, Cote d'Ivoire 4.6%, Belgium 4.5% (2012)</p>	

**Investment Restrictions:**

There are no known economic or industrial policies or practices that have discriminatory effects on foreign investors. There are also no formal obstacles on foreign ownership or control, but there are restrictions in one business sector. The historical exploitation of the country's vast mineral wealth has led to legislated restrictions to protect small scale local artisan miners. Investments in mining of less than \$500,000 require a Sierra Leonean holding of 25 percent.

## Contents

<b>Section 1 - Background</b> .....	<b>4</b>
<b>Section 2 - Anti – Money Laundering / Terrorist Financing</b> .....	<b>5</b>
FATF status.....	5
Compliance with FATF Recommendations.....	5
GIABA Annual Report 2013.....	6
US Department of State Money Laundering assessment (INCSR) .....	7
Reports.....	12
International Sanctions.....	15
Bribery & Corruption.....	16
Corruption and Government Transparency - Report by US State Department .....	16
<b>Section 3 - Economy</b> .....	<b>17</b>
Banking.....	17
Stock Exchange.....	18
<b>Section 4 - Investment Climate</b> .....	<b>19</b>
<b>Section 5 - Government</b> .....	<b>38</b>
<b>Section 6 - Tax</b> .....	<b>39</b>
<b>Methodology and Sources</b> .....	<b>41</b>

## Section 1 - Background

Democracy is slowly being reestablished after the civil war from 1991 to 2002 that resulted in tens of thousands of deaths and the displacement of more than 2 million people (about a third of the population). The military, which took over full responsibility for security following the departure of UN peacekeepers at the end of 2005, is increasingly developing as a guarantor of the country's stability. The armed forces remained on the sideline during the 2007 and 2012 national elections but still look to the UN Integrated Peacebuilding Office in Sierra Leone (UNIPSIL) - a civilian UN mission - to support efforts to consolidate peace. The new government's priorities include furthering development, creating jobs, and stamping out endemic corruption.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Sierra Leone is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Sierra Leone was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Sierra Leone was deemed Compliant for 2 and Largely Compliant for 1 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

### Eighth and ninth follow-up reports of Sierra Leone

The eighth follow-up report of Sierra Leone noted that a permanent Director has been appointed for the FIU. However, the country was yet to begin effective implementation of the AML/CFT Act that was passed in February 2012. Sierra Leone had not ratified the Palermo Convention, established mechanisms and procedures for the implementation of UNSCRs 1267 and 1373, implemented its National AML/CFT Strategy, or established a national AML/CFT Inter-Ministerial Committee. The Plenary expressed concerns about the pace of implementation of the AML/CFT Act and the persistence of certain key deficiencies in the country's AML/CFT system and directed Sierra Leone to urgently engage with the GIABA Secretariat for support in order

to address these deficiencies. During the second half of the year the country placed the regulations for the implementation of UNSCR 1267 and 1373 and Regulations on Terrorism Prevention (Freezing of International Terrorists Funds and other Related Measures) 2013 before Parliament for approval. Sierra Leone issued the Revised Guidelines for Financial Institutions on the Prevention of Money Laundering and Terrorist Financing and prepared AML/CFT Guidelines for DNFBPs. The FIU analysed STRs and disseminated intelligence reports to law enforcement agencies for further action.

The FIU secured premises for its operations and recruited additional staff to strengthen its capacity. The AML/CFT analytical software and hardware provided by GIABA were installed during the period under review. The Plenary noted that Sierra Leone needs to ensure that the FIU is fully operational; pass regulations for the implementation of UNSCR 1267 and 1373; ratify the Palermo Convention; train supervisors on the consolidated bank examination manual; establish the Inter-Ministerial Committee and ensure its effective functioning; and improve coordination among national competent authorities. The Plenary commended Sierra Leone for making progress and encouraged the country to sustain the pace. Sierra

Leone was retained on Enhanced Follow-up and directed to submit its tenth follow-up report in May 2014.

## GIABA Annual Report 2013

### Prevalence of Predicate Crimes

Corruption is still a serious challenge in Sierra Leone, and it is not certain that management of the expanding economic and financial fortune will be transparent, accountable and equitable. The country was ranked 119th out of 177 countries on the Transparency International CPI in 2013, up from 123rd position. While this is an improvement, the ranking is still very low for a country that aspires to tackle poverty. Of the 187 countries surveyed, Sierra Leone is 177th on the human development index, and there are formidable challenges of achieving the MDGs in two years to the target 2015.

Nonetheless, the Anti-Corruption Commission has shown in 2013 that it can bite hard. Twenty-six court cases, mainly against public officials, including police officers and civil servants, as well as individuals indicted for the misuse of international donor funds, were fi by the Commission within the year. The Commission also started the prosecution of several suspects for a serious case of bank fraud involving the Sierra Leone Shipping Authority, the National Revenue Authority and some commercial banks, with an estimated value of about \$9.3 million. Apart from corruption, the country faces other serious crimes that can undermine the development promises of its burgeoning financial sector.

In its Country Report to GIABA, Sierra Leone identified the following ML/TF predicate crimes as prevalent in 2013: drug trafficking, corruption, tax fraud, smuggling of precious stones and metals, other investments, bank fraud, and document forgery.

According to the INCSR (2013) report, smuggling of pharmaceuticals, foodstuffs, gold and diamonds occurs across porous land borders. The country's inadequately manned borders with Guinea and Liberia make Sierra Leone highly vulnerable to the influx of criminals from across the region to collude with domestic criminals and engage in the illegal trade of diamonds, arms, illicit drugs and timber. Since the landing of the infamous 'cocaine plane' at Lungi Airport in July 2008 with 600 kg of cocaine, several automatic rifles and 339 rounds of ammunition on board, Sierra Leone has been identified as a possible growing hub for drug transshipment from Latin America to Europe.

The cases of corruption currently being prosecuted by the Anti-Corruption Commission also indicate that corruption is a prominent crime. It is also a limiting factor in the fight against financial crimes as the bribing of relevant law enforcement agents is likely to block basic scrutiny and investigations.

### AML/CFT Situation

Sierra Leone's progress in the implementation of AML/CFT measures has been noteworthy. With assistance from the GIABA Secretariat, the country is making serious efforts to addressing the following gaps in line with the directives of GIABA Plenary in May 2013.

- i. Development of a mechanism to implement UNSCRs 1267 and 1373 and their succession resolutions;
- ii. Adoption of an effective supervisory framework for relevant reporting entities; and
- iii. Adequate resourcing of the FIU to facilitate its effective functioning.

Above all, Sierra Leone has shown a high degree of commitment to complying fully with international AML/CFT standards. The country has been given up to May 2014 to report further progress made towards fully addressing the remaining deficiencies. A high-level advocacy mission led by the Director General of GIABA was undertaken in January 2013 to engage political authorities in the country on the implementation of the AML/CFT Act 2012. The FIU of Sierra Leone received 114,728 CTRS and 11 STRs in 2013. Seven of the analysed STRs were sent to law enforcement authorities, but there was no evidence of further investigation, prosecution or conviction.

## **Conclusion**

Sierra Leone's postwar recovery and political stability have created the enabling conditions for economic growth in the country. The noticeable growth and the realization of the vision of becoming a medium- income economy in the near future are predicated on the continuance of sound political and economic governance.

However, the prevalence of corruption is an ominous threat to the fulfillment of that promise. Also, the emerging activities of internationally organized criminals should be a warning of the dangers posed to financial stability and the sustainability of the country's hard-earned economic growth.

The authorities in Sierra Leone, therefore, have the obligation to protect the unprecedented economic and financial gains the country has made in the last two years. To do so, they should sustain the current momentum and as a priority endeavour to address the country's remaining strategic deficiencies in its AML/CFT system.

The country should also further strengthen the capacity of its relevant agencies to investigate and prosecute financial crimes, including ML/TF. Securing convictions for such crimes and confiscating the assets of convicted criminals should also be areas of priority in order to deter would-be criminals.

## **US Department of State Money Laundering assessment (INCSR)**

Sierra Leone was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

## Perceived Risks:

Sierra Leone is not a regional financial center. Loose oversight of financial institutions, weak regulations, pervasive corruption, and lack of financial crimes enforcement has made the country vulnerable to money laundering. Due in part to its large seaport, Sierra Leone is an attractive trans-sea shipment point for illegal drugs and other forms of illegal commerce. Smuggling of pharmaceuticals, foodstuffs, gold, and diamonds occurs across porous land borders. There is little evidence drug smuggling is a significant source of laundered money. The small-scale artisanal diamond mining industry is exploited by domestic groups and individuals rather than by transnational cartels. The trade in stolen automobiles, many originating in the United States, continues to be a concern.

Most financial transactions, including currency exchanges and remittances, are unregulated and vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to the financing of terrorism. After making limited progress in this area in 2014, Sierra Leone shifted its attention and resources in 2015 almost entirely to ending the Ebola outbreak. As a result, the country's AML/CFT controls remain underdeveloped and underfunded.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

### CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

### KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

### REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15: January - October, 2015

Number of CTRs received and time frame: 92,757: January - September, 2015

STR covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

### MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January - October, 2015

Convictions: 0 in 2015

### RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body.

#### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Sierra Leone made progress in 2014, when the government began work on a national AML/CFT risk assessment. However, the Ebola outbreak in 2014 caused a major shift in the government's attention, priorities, and resources. This has impeded progress on AML/CFT efforts, as it has affected virtually all government initiatives, with new competition for already scarce resources and a complete stop to field activities for the national risk assessment. Despite the significant challenges presented by the Ebola outbreak, Sierra Leone has made some additional progress. The Parliament has enacted regulations for the implementation of UNSCRs 1267 and 1373, through the Terrorism Prevention Regulation 2013, passed late in 2014.

In 2015, Sierra Leone dedicated additional resources to the Financial Intelligence Unit (FIU), notwithstanding the Ebola crisis. The FIU anticipates completing its national risk assessment by July 2016 and expects the government will then adopt a comprehensive national strategy addressing AML/CFT issues. The FIU has taken some steps to ensure that financial institutions are in compliance with AML/CFT laws, including through onsite examinations of some commercial banks. The government has also described plans to introduce AML/CFT requirements for some designated non-financial businesses and professions (DNFBPs). However, the FIU still lacks adequate staff and resources, with only 28 employees. While Sierra Leone's Directorate of Public Prosecution has given FIU personnel increased authority to prosecute certain crimes, the FIU cannot meaningfully act on that authority because its legal staff consists of only one attorney.

The country's Transnational Organized Crime Unit (TOCU) is now fully operational with 53 officers from 12 law enforcement agencies, and has investigated 84 criminal cases, resulting in the prosecution of 59 individuals for involvement in organized crime. In September 2015, Sierra Leone's Ministry of Internal Affairs broke ground on the construction of the TOCU's new headquarters building. The TOCU is authorized to undertake complete investigations and effect arrests, but general policing capacity, available technical and physical resources, and understanding of the use of financial investigations and intelligence remain low.

There is a low rate of compliance throughout the financial sector, particularly among the commercial banks headquartered in Nigeria. As it drafts a national action plan for AML/CFT issues, the FIU is considering ways to require financial institutions to identify and monitor politically exposed persons (PEPs) and to more effectively identify suspicious transactions. By relaxing its registration requirements for informal money changers, the Bank of Sierra Leone has effectively encouraged those entities to invite new regulatory oversight, which has strengthened the regulation of foreign currency transactions.

The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers. The lack of expertise also impedes the investigation of possible abuses related to informal and unregulated financial activities, such as hawala networks, and possible ties between money laundering in Sierra Leone and Lebanese traders. Corruption is a related concern.

Sierra Leone should adopt additional AML/CFT laws and regulations to fill gaps in the current regulatory scheme, and should take steps to strengthen AML/CFT enforcement. The country should complete its national risk assessment and adopt a national AML/CFT action plan as soon as possible. As part of that plan, Sierra Leone should bolster its efforts to counter smuggling, tighten border controls, and adequately supervise those sectors most vulnerable to money laundering. The government should also fully operationalize the FIU and provide additional training for its staff. It should institute effective supervision of both DNFBPs and non-profit organizations; work to ensure foreign exchange dealers implement customer due diligence measures and comply with record-keeping requirements; and criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act.

### **Current Weaknesses in Government Legislation (INCRS Comparative Tables):**

According to the US State Department, Sierra Leone does not conform with regard to the following government legislation: -

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

**Ability to freeze assets without delay** - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

**States Party to United Nations Transnational Organised Crime Convention** - States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

### **EU White list of Equivalent Jurisdictions**

Sierra Leone is not currently on the EU White list of Equivalent Jurisdictions

### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

## Offshore Financial Centre

Sierra Leone is not considered to be an Offshore Financial Centre

### US State Dept Narcotics Report 2012:

With its porous borders, poorly patrolled coastline, weak infrastructure, and deep poverty, Sierra Leone presents a potentially attractive transshipment point for illegal drugs. The government's efforts to combat the drug flow in 2011 continued to be hampered by resource constraints and limited operational sophistication. Sierra Leone's limited enforcement capacity, inadequate drug treatment and rehabilitation programs, and corruption often impede its counternarcotics efforts.

Cocaine is the main drug transiting Sierra Leone. It moves through the country's unguarded and unprotected borders, both land and sea, from South America to Europe via intermediary points such as Guinea and Guinea-Bissau. Small amounts of Southeast Asian heroin are also suspected of being shipped through Sierra Leone on direct commercial flights from East Africa. Sierra Leone's endemic corruption certainly facilitates trafficking, as government officials and police and intelligence officers accept bribes, to turn a blind eye on trafficking, or even engage in trafficking drugs themselves. As a matter of policy, however, the government of Sierra Leone does not encourage or facilitate the illicit production or distribution of narcotics or launder proceeds from illegal drug transactions. There is no evidence that any senior government official engages in, encourages, or facilitates the illicit production or distribution of drugs. The only drug produced in Sierra Leone is marijuana. It is widely cultivated and consumed locally, and is also transported to surrounding countries and to Europe. Increased cannabis cultivation has given rise to food security concerns as farmers substitute it for subsistence farming. Diversion of precursor chemicals is not a problem in Sierra Leone.

The National Drug Control Act of 2008 brought Sierra Leone's laws into conformity with international conventions and norms. It defined stricter penalties for all drug-related charges, contained mutual legal assistance provisions, and authorized a budget appropriation to support prevention and control activities. Efforts to strengthen the law began in 2010, but as of 2011 a revised law had not yet been passed. Sierra Leone is a party to all of the UN Drug Conventions and the 1972 Protocol. The 1935 Extradition Treaty between the United States and Great Britain remains in force between the United States and Sierra Leone. Sierra Leone is a party to the UN Convention against Corruption. Though Sierra Leone signed the UN Convention against Transnational Organized Crime in 2001, it has yet to ratify it. The 2009 Maritime Counter Drug Bilateral Agreement promotes cooperation between the U.S. and Sierra Leone for the purpose of suppressing illicit transnational maritime activity, including narcotics trafficking.

The 2008 Drug Control Act also established a National Drug Law Enforcement Agency (NDLEA) to serve as the focal point on policy issues and investigations. However, with limited staff and virtually no budget, it is a hollow organization with no real capacity and no demonstrated successes. The vast majority of drug interdiction activity is carried out by the Transnational Organized Crime Unit (TOCU), an elite inter-agency unit supported by the UN Office of Drugs and Crime (UNODC) and other international donors. Donor agencies have helped TOCU increase its capacity significantly since TOCU's establishment. However, TOCU still needs continued training as well as improved forensic capabilities, including a dedicated

forensic laboratory. Sierra Leone's plans to create a special court dedicated to organized crime and narcotics issues with specially trained judges and prosecutors, supported by UNODC, has not yet been implemented.

During the period October 2009 to June 2011, TOCU conducted 172 investigations, which led to 114 court cases; the remaining cases were closed without any prosecutions. In the first half of 2011, TOCU conducted 45 investigations which led to 32 court cases. The vast majority of these cases were for cultivating, selling, and trafficking in marijuana. There were also several charges for possession and sale of cocaine. TOCU also investigated cases of suspected human trafficking and 419 financial scams.

U.S.-supported interdiction efforts were focused on the Joint Maritime Committee a kind of coast guard which conducts patrols with three small cutters, donated by the U.S. Coast Guard and a larger Shanghai-class patrol boat donated by the Chinese government. In 2011, U.S. Africa Command (AFRICOM) funded significant infrastructure improvements at TOCU, including an automated ship identification system, two radars, and improved Internet access. In addition, in 2011, the African Maritime Law Enforcement Partnership, a program of the Africa Partnership Station administered by AFRICOM, conducted joint Sierra Leone/U. S. Coast Guard training, surveillance, and law enforcement operations. These operations included the Coast Guard Cutter "FORWARD" embarking a law enforcement team from Sierra Leone to locate and board vessels suspected of illegally trafficking narcotics.

#### **US State Dept Trafficking in Persons Report 2014 (introduction):**

Sierra Leone is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Sierra Leone is a source and destination country for men, women, and children subjected to forced labor and sex trafficking. Victims originate largely from rural provinces and are recruited to urban and mining centers for the purposes of exploitation in prostitution, domestic servitude, and forced labor in artisanal diamond and granite mining, petty trading, portering, rock-breaking, street crime, and begging. Trafficking victims may also be found in the fishing and agriculture sectors or subjected to sex trafficking or forced labor through customary practices such as forced or arranged marriages. Some Sierra Leoneans voluntarily migrate to other West African countries, including Mauritania and Guinea, as well as to the Middle East and Europe, where some are subjected to forced labor and forced prostitution. Sierra Leone may also be a destination country for children trafficked from neighboring West African countries for forced begging, forced labor, and exploitation in prostitution. Indian and Chinese men have been subjected to forced labor within Sierra Leone. During the reporting period, seven adult men from Sri Lanka were subjected to forced labor by a foreign fishing company in Sierra Leone.

The Government of Sierra Leone does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, the government, in collaboration with a local NGO, provided training to law enforcement and judicial personnel on trafficking, identified a larger number of child victims compared to the previous year, and identified and provided temporary shelter to seven

foreign adult victims of trafficking. It also continued to conduct a national awareness campaign and increased efforts to protect migrant workers. However, the government demonstrated a decrease in law enforcement efforts and continued to rely heavily on NGOs and international organizations to provide victim services.

### **US State Dept Terrorism Report**

No report available

## International Sanctions

Sanctions and Embargos are no longer in place although the US has sanctions in force on the trading of rough diamonds, which could be relevant for Sierra Leone.

For further information, please visit the following link: -

<http://www.ustreas.gov/offices/enforcement/ofac/programs/diamonds/diamond.pdf>

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	30
World Governance Indicator – Control of Corruption	21

## Corruption and Government Transparency - Report by US State Department

Sierra Leone signed the U.N. Convention against Corruption in December 2003 and ratified it in September 2004. Sierra Leone established its independent Anti-Corruption Commission (ACC) in 2000 and significantly strengthened it in the Anti-Corruption Act of 2008. The Anti-Corruption Act is not used disproportionately against foreigners. The ACC is charged with investigating cases and educating the public to reduce corruption in its many forms. The ACC has many pending investigations, and several indictments. Joseph Kamara, the current ACC Commissioner, has widened the scope of the office and in 2012 pursued 21 cases, the highest number of cases in the ACC's history. Kamara's actions indicate both that the ACC seems determined to continue to pursue corruption, but also confirms that there are corrupt officials at many levels of the Government. Bribes, kickbacks, extortion, and skimming remain a problem specifically in government procurement, transfers, dispute settlement, and taxation. Giving or accepting a bribe is a criminal act, both within Sierra Leone and from a local company or individual to a foreign official, and is to be prosecuted by the ACC. Penalties vary based on the magnitude of the bribe.

Sierra Leone was certified as being an Extractive Industries Transparency Initiative (EITI) compliant country in April 2014.

Sierra Leone's score on Transparency International's 2013 "Corruption Perception Index" has improved for the fifth year to a score of 30, ranking Sierra Leone 119 out of 177 countries globally. This year, Sierra Leone passed five of the six Ruling Justly indicator criteria for Millennium Challenge Corporation Compact eligibility and 11 of 20 overall indicators. Along with TI, the Campaign for Good Governance and Transparency Alert are other corruption watchdog organizations in Sierra Leone.

## Section 3 - Economy

Sierra Leone is extremely poor. Nearly half of the working-age population engages in subsistence agriculture. The country possesses substantial mineral, agricultural, and fishery resources, but it is still recovering from a civil war that ended in the early 2000s that destroyed most institutions. In recent years economic growth has been driven by mining - particularly of iron ore and oil exploration. The country exports rutile, diamonds, and bauxite, and is vulnerable to fluctuations in international commodity prices. The country relies on external assistance to meet its budgetary needs; overseas grants make up one-fourth of total revenue. Corruption is a hindrance to foreign investment, although from 2011 to 2012 the country's Anti-Corruption Commission increased convictions of high-level officials from nine to 22 and recovered millions of dollars. In December 2013, the US Millennium Challenge Corporation (MCC) did not hold a vote on the reselection of Sierra Leone because the country did not pass MCC's Scorecard Corruption indicator; however, MCC continues compact development through a more limited engagement.

### **Agriculture - products:**

rice, coffee, cocoa, palm kernels, palm oil, peanuts; poultry, cattle, sheep, pigs; fish

### **Industries:**

diamond mining; small-scale manufacturing (beverages, textiles, cigarettes, footwear); petroleum refining, small commercial ship repair

### **Exports - commodities:**

diamonds, rutile, cocoa, coffee, fish

### **Exports - partners:**

China 50.5%, Belgium 18%, Japan 7.6%, Turkey 4.8% (2012)

### **Imports - commodities:**

foodstuffs, machinery and equipment, fuels and lubricants, chemicals

### **Imports - partners:**

China 16.3%, India 10.1%, South Africa 7.1%, US 6.6%, UK 6.6%, Cote d'Ivoire 4.6%, Belgium 4.5% (2012)

## Banking

As a small relatively poor developing country with the majority of development occurring along the Atlantic Coast, Sierra Leone has always had a small financial sector, focused primarily on government and those commercial sectors involved in international trade.

During the civil conflict, the formal financial sector shrank significantly leading to Sierra Leone effectively becoming a cash economy. Following the end of the conflict, there has been some development in the banking sector though it is still in its infancy and is principally based within Freetown. In spite of this recovery, Sierra Leone remains essentially a cash-based economy. There are only around 160,000 bank accounts in Sierra Leonean banks, of which between 65 and 70 percent are personal accounts, most of which are relatively small savings accounts. The majority of corporate accounts are held by organizations involved in international trade.

Since the end of the war in 2002, the banking sector has grown substantially. There are now a number of banks (including foreign owned) and non-bank financial institutions which are concentrated primarily in Freetown. In addition, the country is developing a micro-finance sector that is promoting small-scale business, especially in rural areas. However, the banking system is poorly developed, and regulation and supervision by the central bank remain inadequate.

### Stock Exchange

The Sierra Leone Stock Exchange was launched on the 18th July 2009, but is hampered by weak regulation and supervision by the Central bank

### Executive Summary

Sierra Leone is located on the southwest corner of West Africa. It is home to six million people and provides easy access to a market of 30 million via its membership in the Mano River Union (MRU) with Cote d'Ivoire, Guinea, and Liberia, and a market of over 225 million people in Economic Community of West African States (ECOWAS). Sierra Leone provides duty-free access to large markets like the European Union and United States under treaties such as the EU Everything But Arms initiative and U.S. African Growth and Opportunity Act (AGOA).

Sierra Leone's gross domestic product (GDP) in 2012 is \$ 3.8 billion The World Bank estimates gross national income (GNI) per capita for Sierra Leone was \$580 in 2012. This translates to over 72 percent of the population living on less than \$1 per day, in extreme poverty.

Sierra Leone remains largely dependent on foreign aid even though they have large deposits of iron ore and other minerals.

The United Nations Development Program, Human Development Index for 2012, which incorporates dimensions of health, education, and living standards, ranks Sierra Leone 177 of the 186 nations assessed. Sierra Leone continues to face challenges in improving its investment climate. The World Bank ranked Sierra Leone 140 among 183 countries in its 2013 Doing Business report. Yet, among the subcategories in the report, Sierra Leone ranks 32nd globally in protecting investors, 76th in ease of starting a business, and 83rd in getting credit. The World Bank reported that Sierra Leone requires on average six independent procedures and 12 days starting a business, somewhat above the average in Sub-Saharan Africa.

There is reason for optimism regarding economic growth. Despite tough economic times, the International Monetary Fund (IMF) estimated that the inflation rate has dropped from 18.5% in 2011 to 11.5% in 2012. The IMF report also shows that Sierra Leone's real GDP grew from 5.3% in 2011 to 35.9% in 2012. The increase in GDP growth in 2012 is due in large part to the production of large scale iron ore export projects that came on line in 2012 which contributed to the higher than normal GDP growth rate.

Support for Foreign Direct Investment (FDI) is a stated priority for the Government. Investment is increasing and the government has demonstrated commitment to reforming trade and investment policies to encourage private sector-led economic revitalization. President Koroma routinely states that the nation's economic growth "should be, and indeed, will be driven by the private sector rather than solely through public sector activities and development assistance."

### 1. Openness To, and Restrictions Upon, Foreign Investment

Potential investors must consider the Sierra Leone's two omnipresent challenges: the devastation of the 1991-2002 civil war and constraints of extreme poverty. These challenges continue to fundamentally impact almost all aspects of Sierra Leone society. After the war, international focus on Sierra Leone brought considerable foreign aid programs. The Sierra Leone economy today remains dependent on foreign aid, but donors, facing their own economic challenges, are beginning to reduce their programs. The reduction in aid and

successfully holding three post-war elections means Sierra Leone is moving beyond the moniker of a “post-conflict country” to one of nascent self-sufficiency. This is an uncomfortable transition for institutions fundamentally fueled by foreign donors. Institutional structures, both government and private, continue to develop, but remain immature and are generally characterized by poor governance and corruption.

The value of Sierra Leone’s considerable natural resources still has not been successfully leveraged to improve the lives of Sierra Leone citizens. The country is still primarily agrarian with extremely fertile land, promising fishing sector opportunities, and considerable potential in mining.

War and poverty have caused health and education challenges in the labor force. Over ten decades now the percent of Sierra Leoneans who live on less than \$1 per day is very high. The life expectancy is 57 years of age. The prime labor demography needed by business, government, and civil society, remains victims of the war and poverty. Few have more than four years of education, fewer are trained in a vocational skill, and even fewer have management skills. The result is a critical void of talented Sierra Leoneans available to manage local staff and assist in navigating the cultural, governmental, and logistical challenges which foreign industry faces in the country. The U.S. Government focuses on developing middle-level talent through poverty eradication, education, and capacity building efforts in its diplomatic and development programs. In addition, there is a wide range of charitable organizations investing in Sierra Leone’s human resources. Nevertheless, this is a long-term approach.

There are encouraging signs in Sierra Leone’s investment climate. The Government continues work to improve the integration of the private sector to advance modern technologies into the mining and agricultural development strategies as well as to continue to build the industrial base to create more jobs. Although very promising, the agriculture sector remains characterized by subsistence farming. Agribusiness ventures are often mired in land tenure and socio-political debates. Foreign investors are starting to view challenges such as Sierra Leone’s poor electricity grid as a business opportunity and U.S. businesses are actively entering the energy sector. Chinese foreign direct investment (FDI) and projects remain the dominant force in infrastructure development in Sierra Leone. Other Chinese companies and parastatals are partners in agreements relating to airport improvement, a tender for a new airport, and a hydropower project, building roads and railway lines related to the iron ore industry, and building hospitals. Increased overseas investor interest can also be seen in fishing, petroleum, and tourism.

### ***Laws/Regulations of FDI***

In 2009, the Government launched a national Private Sector Development Strategy. A number of legislative acts relate to the strategy:

#### ***Finance Act, 2010***

This act provides for the imposition and alteration of taxation for the year 2010.

#### ***Payment Systems Act, 2009***

This act provides for the establishment, operation, designation and supervision of electronic payments, clearing and settlement systems, and the rights and obligations of transacting and intermediating parties.

***Companies Act, 2009***

This act provides for the registration of companies. Provisions of this law include mandating disclosure of personal conflicts of interest by company directors and officers, requiring shareholder approval of large related-party transactions to reduce possible misuse of company assets, and providing shareholders with rights to hold the directors liable for damages in a related-party transaction. The act offers the possibility of rescission of the transaction. In the case of a related-party transaction that is harmful to the company. The act also grants shareholders access to all relevant documents.

***Goods and Services Tax Act, 2009***

The act provides for the imposition of a broad-based tax on the consumption of goods and services in Sierra Leone and to provide for other related matters.

***Bankruptcy Act, 2009***

The act provides for declaring as bankrupt any persons who cannot pay debts of a specified amount and to disqualify them from holding certain elective and public offices or from practicing any regulated profession.

***Telecommunications Act, 2009***

Amends the Telecommunications Act, 2006.

***Mines and Minerals Act, 2009***

The act consolidates and amends the law on mines and minerals; promotes local and foreign investment in the mining sector by introducing new and improved provisions for exploration, mine development, and marketing of minerals; ensures transparent and accountable management of the mineral sector in accordance with international best practice; promotes improved employment practices in the mining sector; improves the welfare of communities adversely affected by mining; and introduces measures to reduce the harmful effects of mining activities on the environment.

***Finance Act, 2009***

The act provides for the imposition and alteration of taxation.

***Payment Systems Act, 2009***

This act provides for the establishment, operation, designation and supervision of electronic and other payments, clearing and settlement systems, and the rights and obligations of transacting and intermediating parties.

***Investment and Export Promotion Agency Act, 2007***

This Act establishes the Sierra Leone Investment and Promotion Agency. It became operational in May 2008. It is the country's lead agency focusing on developing policies and programs to stimulate local and export trade, improve the investment climate, encourage expansion and diversification of exports, and promote the development of small to medium enterprises.

### ***Business Registration Act, 2007***

This act reduced company registration procedures to four steps. There are no restrictions on the amount of equity a foreign firm may own in a local business. In addition, there are no requirements that nationals own shares, that the share of foreign equity fall over time, or that technology be transferred under certain terms. There are also no offset requirements.

### ***Investment Code, 2005***

The code was designed to provide more protection for companies investing in Sierra Leone and to promote production and value-added activities. The code directs government to encourage joint ventures and allow full foreign ownership. The code ensures there is no discriminatory economic or industrial strategy against foreign investors and no limit is imposed on foreign ownership or control.

### ***Industrial Strategy***

Business market entry strategies should carefully assess the specific risks presented by poor governance and corruption, immature infrastructure, the lack of training, extreme poverty, and illiteracy in the labor force.

Specifically, potential investors in extractive industries should take into account the likelihood of international condemnation of any venture that might even appear to exploit Sierra Leone's natural resources without adequate compensation to the country. This extends from the brutal history of diamond exploitation in Sierra Leone, but might also be a source of criticism for other mining and oil industries if downstream processing of those materials does not include Sierra Leone assets and labor.

Potential investors may contact the Sierra Leone Ministry of Trade and Industry and the Sierra Leone Investment and Export Promotion Agency (SLIEPA) for more information and guidance. SLIEPA is the country's official agency focusing on developing policies and programs to stimulate local and export trade, improve the investment climate, encourage expansion and diversification of exports and promote the development of small to medium enterprises (SME).

## **Market Sectors**

### ***Aerospace***

Freetown Lungi International Airport is 7.5 miles from Freetown on the opposite side of an estuary and accessible only by ferries, water taxis, and occasional hovercraft and helicopter services, all of varying reliability and uncertain safety. This increases travel time by about five hours depending on the mode of transport.

The Ministry of Transport and Aviation secured a grant of \$8.9 million from the World Bank to upgrade the Lungi International Airport. Rehabilitation is ongoing and will include upgrading the arrivals and departure halls, building a modern car park, and repairs to the existing runway. Barrows Construction Company Ltd. and Ovie Arup completed improvements to the passenger terminal in late December 2012. Group Europe Company was awarded a contract to improve passenger and cargo handling.

The Minister of Transport and Aviation signed an agreement in December 2012 with the China Railway International Consortium to finance construction of a new \$190 million airport near the village of Mamamah on the Freetown side of the estuary.

### ***Agribusiness***

Before the commencement of iron ore mining operations in 2011, over 50 percent of Sierra Leone's GDP was related to agriculture, 23 percent to industry, and 26 percent to services. Only about 15 percent of the 5.4 million hectares of farmland is used for agriculture. The Government estimates the 15 percent level will need to rise to 27 percent to supply future domestic consumption demand. In November 2011, the Swiss company Addax Bioenergy opened its Greenfield sugar cane plantation, ethanol refinery, and biomass power plant factory in the Bombali District. The facility will produce about 30 MW, supplying about 15 MW of electricity to the local grid, and using the remainder 15 MW to run its own equipment. The Addax project is the first large-scale agricultural project launched in Sierra Leone in the last decade. The government has signed several large-scale land deals in recent years, including a \$1.3 billion deal with China Hainan Rubber Industry Group earlier this year.

### ***Construction***

The poor state of the infrastructure in Sierra Leone provides many opportunities and need for construction equipment. Currently, the country is in the midst of the biggest road construction program in its history—a \$900 million program managed primarily by the Chinese company, the State-owned China Railway Seventh Group Co. Ltd.

### ***Energy***

The Government has set the goal of developing between 700 and 1,000 MW of power within the next five years. This will include second phases of Bumbuna Hydro and Bekongor Hydro projects which will deliver another 350 MW and 100 MW respectively. Construction of a United Nations-supported hydro power plant in north-west Sierra Leone commenced in April 2012. The plants expected capacity will be three MW. The UN Industrial Development Organization is conducting a feasibility study for a ten MW power plant. An increasing number of foreign companies looking at solar energy options in Sierra Leone, including an American company, Sun Trough Energy, which has reportedly entered into a \$250 million Energy Power Purchase Agreement for a 130MW thermal power plant and upgrade of the Freetown transmission network.

### ***Finance***

In Sierra Leone private equity firms face challenges such as gaining information to conduct due diligence on management teams and finding opportunities that meet their needed rate

of return. The U.S. private equity firm Joule Investments finalized an agreement on a \$650 million project to build phase two of the Bumbuna hydroelectric power project.

### ***Mining***

Mining in Sierra Leone has known deposits of rutile (a major source of titanium), bauxite (used as an abrasive and catalyst), titanite iron ore, diamonds, gold, chromite (a major source of chromium), platinum, lignite (brown coal), clays, and base metals such as copper, nickel, molybdenum (used to strengthen and harden steel), lead and zinc.

African Minerals is the largest iron ore Production Company in Sierra Leone, the developer and operator of the Tonkolili iron ore mine in northern Sierra Leone. The current operations are expected to produce 20 million tons of iron ore per annum at full capacity. London Mining is the second largest iron ore mining company in Sierra Leone. London Mining is developing the Marampa mines in Sierra Leone where it commenced production in 2011 and produces around 5Mtpa by the end of 2013.

### ***Petroleum***

Three years ago, a consortium led by U.S. oil company Anadarko found a significant potential for oil off the coast of Sierra Leone. Further exploration by Anadarko, African Petroleum, and Talisman are ongoing to assess the full commercial potential of oil deposits off the coast. The highest estimates of Sierra Leone's offshore petroleum deposits are 500-700 million barrels.

The Government awarded offshore licensing blocks in July 2012. In several cases it granted licenses to several bidders, forging partnerships. In one case a licensing block was awarded to African Petroleum and U.S. Company Kosmos Energy. Two blocks were awarded to Chevron Sahara and Noble Energy with an added partner ODYE Limited. Kosmos pulled out of its awarded block. Chevron, Noble, and Odyne signed deals in late 2012.

### ***Seaports***

Sierra Leone's Freetown area harbor is strategically located making it a strong potential candidate as a trans-shipment trade hub. Foreign businesses routinely cite the port as the most significant factor that discourages private sector investment. However, mismanagement, inefficient operations, high financial losses, and lack of investment at the port prompted the Government to engage a foreign firm to take over these responsibilities. The Sierra Leone Ports Authority signed a concession agreement and transferred its container terminal management and stevedoring activities to the private sector company, Bollere Africa Logistics, for a 20 year concession period. Bollere, a French registered company, operates eight container terminal concessions in Africa, offers stevedoring in ten African ports, and also operates in North and South America, Europe, the Middle East, Asia and Oceania. The infrastructure at the ports is outdated and cannot handle modern vessels resulting in a recent reduction in traffic volumes. Bollere's efforts to date are resulting in some positive changes.

### ***Telecommunications***

The Government is participating in the Africa Coast to Europe submarine fiber optic cable project. The fiber optic cable reached Sierra Leone shores in September 2011 and is now operational. The fiber optic cable is managed as a public-private partnership between the Government and participating licensed telecoms providers.

***Limits on Foreign Control***

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activities. Foreigners are free to establish, acquire and dispose of interests in business enterprises. There are limits to land ownership by foreign entities and individuals. These restrictions vary depending on location of the land being used.

***Privatization Program***

The Government’s privatization program includes 24 publicly owned enterprises. A separate department was established to focus on the privatization of these institutions. It is looking for investors, especially foreign and expatriate investors, who will bring significant capital and expertise on how to improve the financial performance of those institutions.

***Screening of FDI***

Sierra Leonean authorities do not screen investments. Companies have to register, but private investors generally do not consider the business registration process as a major impediment to investment in Sierra Leone.

***Competition Law***

When private enterprise competes with public enterprise, Sierra Leone law dictates that the same terms and conditions apply with respect to access to markets, credit, and other business operations. State-Owned Enterprises can be found in the power, water, transport, and construction sectors.

***Investment Trends***

**TABLE 1:**

<b>Measure</b>	<b>Year</b>	<b>Rank or value</b>	<b>Website Address</b>
TI Corruption Perceptions index	2013	<b>119 of 177</b>	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation’s Economic Freedom index	2013	<b>148 of 178</b>	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>

World Bank's Doing Business Report "Ease of Doing Business"	2013	140 of 189	<a href="http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf">http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf</a>
Global Innovation Index	2013	not rated	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	\$580	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

MCC Government Effectiveness	FY2014	31 %; -0.29 score (median 0.00)
MCC Rule of Law	FY2014	55 %; 0.04 score (median 0.00)
MCC Control of Corruption	FY2014	47 % -0.03 score (median 0.00)
MCC Fiscal Policy	FY2014	23% -4.9 score (median -3.1)
MCC Trade Policy	FY2014	54% 70.2 (Median 69.0)
MCC Regulatory Quality	FY2014	56 %; 0.04 score (median 0.00)
MCC Business Start Up	FY2014	64%; 0.913 score (median 0.880)
MCC Land Rights and Access	FY2014	30%; 0.55 score (median 0.63)
MCC Natural Resource Protection	FY2014	45%; 34.6 score (median 55.5)

## 2. Conversion and Transfer Policies

The Investment Code guarantees foreign investors the right to repatriate earnings and the proceeds of sales of assets and allows expatriate employees to repatriate earnings. There are no restrictions on converting or transferring funds associated with investments, including remittances of investment capital, earnings, loan repayments, and lease payments. Investors can withdraw and remit any amount from a commercial bank and, subject to availability of the currency, have it transferred into any freely convertible currency and at legal market clearing rates. U.S. businesses in rural areas have occasionally reported challenges repatriating earnings with local banks, but it appears the challenges are logistical and the

central bank policies adhere to the new Investment Code. Outflows of wealth are most often in the form of diamonds and other minerals rather than financial flows. Cash outflows are mostly for physical capital expenditures.

### ***Foreign Exchange***

Sierra Leone has a floating exchange rate. The Leone fluctuates, but overall has depreciated slowly over recent years, mainly due to increasing demand for financing current consumption and a decrease of inflows of foreign currency resulting from decreased mineral exports and decreased foreign remittances. Nevertheless, the Leone has been relatively stable in 2012 and 2013 fluctuating from 4311 Leones/\$ to 4405 Leones/\$.

There are no legal restrictions on obtaining foreign exchange. The Central Bank conducts frequent foreign exchange auctions, typically on a weekly basis, but limits a single bidder to \$100,000. Additional foreign exchange is available through the banking system, but banks will provide cash only to customers who have deposited cash and customers who have deposited transfers can obtain only transfers. The law requires that money transfers over \$10,000 be sent through the banking system to ensure transparency and provide paper trails for all transactions. The first international ATMs and point of sale terminals opened and began operating in Sierra Leone in 2011. Similarly, credit cards are not used in Sierra Leone largely due to poor internet connectivity and rampant fraud.

### **3. Expropriation and Compensation**

There is no history of expropriations in Sierra Leone. World Bank indices indicate that Sierra Leone's laws on investment protection are strong. Investors' rights are covered across a range of areas such as:

- Open access to all sectors of the economy to foreign investment
- Rights to 100 percent foreign ownership of companies
- Freedom to use foreign managerial, technical and unskilled workers
- No exchange restrictions
- Guarantees on capital repatriation, loan remittance, and against expropriation

### **4. Dispute Settlement**

The legal system inherited from the U.K. protects property and contract rights. There have been few notable disputes with property or contract rights affecting U.S. or other foreign investors. Investors have access to the judicial system, but the system is slow and is often subject to financial and political influence. Arbitration clauses in contracts and foreign judgments are respected. The Law Reform Commission is considering a new Commercial Law, but progress has been slow. Sierra Leone is also a party to the Convention on Settlement of Investment Disputes between States and Nationals of Other States (The Washington Convention), which it ratified and put into force in October 1966.

### **5. Performance Requirements and Investment Incentives**

#### ***Investment Incentives***

Among the incentives available to investors are:

**General:**

- Three year exemption on import duty for plant, machinery and equipment
- Reduced duty rate of three percent on the import of raw materials
- Corporate tax rate of 30 percent
- Goods and services tax rate of 15 percent
- Income tax of 15 – 30 percent depending on incomes
- Social security contribution of 15 percent of gross salary
- 100 percent tax loss carry forward can be utilized in any year
- 125 percent tax deduction on R&D and training spending
- 125 percent tax deduction on expenses for export promotion activities
- Three year income tax exemption for skilled expatriate staff, where bilateral treaties permit

**Agribusiness:**

- Exemption on import duty for farm machinery and equipment, and agrochemicals.
- Income tax exemption to 2020 for companies, individuals and partnerships.
- 50 percent of dividends paid from companies engaged in agricultural activity are exempt from withholding taxes

**Infrastructure:**

- Projects in excess of \$1,000,000 will be exempt from income taxes for the earlier of ten years from start-up or the year 2020
- Additional incentives are also available for investments in what government considers pioneer industries, such as pharmaceuticals and solar energy.

**Mining:**

- Tax rate reduced from 35 to 30 percent for all companies with audited accounts
- Losses can be carried forward for ten years following the date of initial production
- Capital allowance of 100 percent in the first year for prospecting and exploration expenses. For production rights and other expenditures, investors will be allowed an initial allowance of 40 percent in the year of expenditure followed by an annual allowance of 20 percent a year for the next three years following the date of initial production

- Reclamation, rehabilitation, and mine closure costs can be deducted in the year incurred

### ***Travel***

Investments in hotels meeting certain eligibility criteria will attract the following benefits:

- Income tax exemption that expires in five years, 2015, or when the amount qualifying under the tax holiday exceeds 150 percent of original invested capital
- Three year exemption from import duties for key building materials and other inputs
- Technology Transfer: There are no requirements for technology transfer. There are no requirements that major procurements are approved only if the foreign supplier invests in manufacturing, R&D, or service facilities in Sierra Leone (no technology "offset" requirements).

### ***Visa Incentives***

The Government provides preference regarding visa, residence, and work permit requirements to nationals of other countries in ECOWAS. U.S. citizens must have a visa to enter Sierra Leone, obtainable from the Sierra Leonean embassy in Washington or at other Sierra Leonean embassies. Airport visas are available, but cost \$160 and the process to issue is very slow. Foreign investors must have a self-employment/work permit from the Ministry of Labor, which takes six weeks to four months or longer to obtain and costs \$85. A foreigner also must have a residence permit. There is an application fee of \$1.15 and the permit costs \$829.49 for entrepreneurs and \$692.24 for employees.

### ***Performance Requirements***

The Government has established no performance requirements prescribing mandatory percentages of exports, domestic content, required domestic inputs, or limiting access to foreign exchange. However, there has been a recent push to make the "Local Content Policy" in to law. The Local Content Policy would place requirements that certain percent of jobs be held by nationals depending on the job classification and requirements to use local suppliers where available. However, the enforcement of these requirements are not currently in place as the local content requirements are still a "policy" of Government where they try to encourage new investors to commit to use local content.

## **6. Right to Private Ownership and Establishment**

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activities. Foreigners are free to establish, acquire and dispose of interests in business enterprises.

## **7. Protection of Property Rights**

### ***Real Property***

There are two legal types of land tenure in Sierra Leone. Freetown and the Western Area, the former British colony of Sierra Leone, operate under a freehold system. Outside the Western Area, land is governed under a leasehold system. Foreigners cannot own land under either

system, but can lease land for terms of up to 99 years. Officially there is complete and open access to the court system if an individual or enterprise thinks its interests to be compromised, but judicial practice is open to political or financial influence.

The rule of law is fragile and uneven across the country. In the absence of an effectively functioning legal framework, property rights and contracts are not secure. There is no land titling system, and judicial corruption is significant. Traditional tribal justice systems still serve as a supplement to the central government's judiciary, especially in rural areas. Corruption remains pervasive in all branches of government.

Sierra Leonean citizens can acquire private land in Freetown and the Western Area only. State lands are obtained from the State Lands Committee and the Ministry of Lands via a bureaucratic process that typically takes 65-70 business days. In the past, State Land has been appropriated by government officials for personal use without proper sale or procedures. Under the Customary Land system, an investor can lease land by entering into a joint venture for economic purposes with the local paramount chief who controls the land in his district. This system is designed to protect the livelihood of indigenous and local communities or the traditional users of the land: householders, subsistence farmers, herders, and small producers.

The Ministry of Lands placed a moratorium on selling land in November 2008 because of a variety of abuses. While the government has lifted the ban on the sale of private land, the sale of public lands remains prohibited. The government is receiving support from external donors to redesign the land tenure system.

Mortgages exist in Sierra Leone, but the real estate market is minimal and mortgages are not common. When they are given, mortgages can carry long terms, but are more commonly of short duration and high interest. Short-term bank loans for new construction are more common. Many Sierra Leoneans and businesses will enter into construction projects with whatever funds they have amassed, and halt construction when the money runs out. The project starts again when the owners gets more money. In this way, a single-family home can take a lifetime to build, but remains in families for generations.

### ***Intellectual Property Rights***

Sierra Leone has been a member of the World Intellectual Property Organization (WIPO) since its inception. As a result, Sierra Leone also is bound to implement the international standard for intellectual property, the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Sierra Leone is also a member of the common Intellectual Property (IP) organization for English-speaking Africa, the African Regional Intellectual Property Organization (ARIPO) and parties to its main instruments: the Harare (patents) and the Banjul (marks) protocols which establish a common system for obtaining and maintaining protection for patents, trademarks and industrial designs.

In Sierra Leone, only the most basic elements of an IP regime are in place and functioning. Generally, IP rights are poorly understood as a tool for protecting innovation, brands, and creative works to create wealth. IP law in Sierra Leone is outdated and incomplete. Since 2005, the Government has been making efforts to modernize the IP system, but protection is not a high Government priority and progress has been limited due to limited financial,

personnel, and institutional capacities. Customs screening for counterfeit or pirated goods coming from China, Nigeria, Dubai, and other centers of illegal production is weak. When goods are confiscated, they often re-appear in the market. Popular music and films are illegally copied and sold in Sierra Leone. This practice mostly affects local and regional music as well as popular Nigerian films.

Some American music and videos are affected.

The Government has been working with the International Centre for Trade and Sustainable Development (ICTSD), ARIPO, and London-based Saana Consulting in developing projects to meet Sierra Leone's needs in developing a TRIPS compliant IP regime.

For additional information about Sierra Leone's treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

List of local attorneys is at: [http://freetown.usembassy.gov/local\\_attorneys.html](http://freetown.usembassy.gov/local_attorneys.html).

The Embassy point of contact is: Todd Unterseher [untersehertw@state.gov](mailto:untersehertw@state.gov) or Matthew Kanu [kanumm@state.gov](mailto:kanumm@state.gov)

## **8. Transparency of the Regulatory System**

Excessive delays and inefficient enforcement are common in Sierra Leone regulatory systems. SLIEPA views regulatory systems as inherently important to business growth and is in the process of trying to streamline procedures. Licenses, contract enforcement, and high tax rates remain problems. One notable effort to improve clarity is the Government's establishment of a "one stop center" where investors can obtain all required permits and licenses.

The Government does not specifically use tax, labor, environment, health and safety or other laws and policies to distort or impede investment, but corruption exists relative to all these issues. There is no codified discrimination against foreign investors within any regulatory processes. There are no private sector or government efforts to restrict foreign participation in industry standards-setting consortia or organizations.

## **9. Efficient Capital Markets and Portfolio Investment**

Policies generally facilitate the free flow of financial resources, and are improving. Citizens and foreigners have access to credit under the same market terms. Foreign investors typically bring in capital from outside the country and have well-established banking relationships that enable them to obtain working and trading capital. Credit is much more difficult to obtain in the indigenous private sector because the land tenure system makes collateral very difficult to establish. The lack of a titling system makes it difficult for a lender to identify the true owner of land. Foreigners may lease, but not own land.

Most private businesses in Sierra Leone use overdraft on bank accounts as their only form of revolving credit. Portfolio investing has not taken hold in Sierra Leone, as it is just now advancing from being a cash-only economy to one with electronic transactions. Sierra Leone created a stock exchange in 2007, but it remains small with only one traded stock.

There is no evidence of cross-shareholding and stable shareholder arrangements in Sierra Leone. There is no history of hostile takeovers in Sierra Leone.

A current challenge for the Central Bank is the borrowing-lending gap for commercial banks. Interest rates have risen to as high as 30 percent in 2011 while banks borrow at single digit rates. The Central Bank is addressing this problem by promoting the interbank market and strengthening supervision of the banking system. Interest rates are decreasing with the addition of new banks and other financial institutions. They now range between 17-25 percent. The Government's bonds earn about 20 percent interest. Interest rates can be as low as 14% based on an individual's relationship with the bank in terms of the volume of business transacted.

## **10. Competition from State-Owned Enterprises**

When private enterprise competes with public enterprise, Sierra Leone law dictates that the same terms and conditions apply with respect to access to markets, credit, and other business operations. State-Owned Enterprises can be found in the power, water, transport, and construction sectors. These SOEs are sometimes the result of the unique limitations of physical infrastructure which does not allow competition. Each SOE is managed uniquely, though most report through an office to a cabinet minister. Through the national privatization process, SOE boards of directors are beginning to be established. Sierra Leone does not have a Sovereign Wealth Fund.

### ***Energy***

National Power Authority

### ***Finance***

National Development Bank, National Insurance Company, Rokel Commercial Bank, Sierra Leone Commercial Bank, Sierra Leone Housing Company, Sierra Leone State Lottery Company Limited

### ***Information & Communication***

Sierratel, Sierra Leone Broadcasting Corporation, Sierra Leone Daily Mail, Government Printing Department

### ***Mining***

Mining and General Services Limited

### ***Services***

Mechanical Services Unit, Forest Industry Corporation, Guma Valley Water Company, National Workshop

### ***Transportation***

Sierra Leone Airports Authority, Sierra Leone National Shipping Company, Sierra Leone Ports Authority, Sierra Leone Roads Authority, Sierra Leone Road Transport Corporation, Sierra National Airlines, Sierra Leone Maritime Administration

## **11. Corporate Social Responsibility**

Businesses that come to Sierra Leone are often quickly put under enormous pressure from the government, civil society, and NGOs to undertake Corporate Social Responsibility (CSR) projects. This pressure occasionally distracts businesses from their core commercial activities and delays the business from becoming viable enterprises. Large firms, including SOEs, are more often including CSR programs that address the Government's Agenda for Change goals or Millennium Development Goals in areas such as education, health, environmental management, sports, and Small and Medium Enterprise (SME) development. Firms operating in the mining sector have CSR programs that focus on education, community resource management and environmental sustainability, SME development, and health. Telecom companies in particular have demonstrated a willingness to fund community projects in exchange for sponsorship credit. Sierra Leone consumers seldom make distinct choices to trade with or purchase from businesses based on their CSR programs. A U.S oil company called Chevron has also showed great interest in committing themselves to CSR activities in Sierra Leone which will be directed towards Developing and capacitating Human Capital rather than just the usual construction of water wells, markets, houses etc.

## **12. Political Violence**

Political violence remains minimal in Sierra Leone. The run-up to national elections in November 2012 was free and fair with 97% participation. There have been no significant incidents in recent years of politically motivated damage to projects or private installations. The United Nations Peace Consolidation Mission in Sierra Leone (UNIPSIL) is ending its operations this year as the country moves out of its conflict phase. Although Sierra Leone is a "fragile state," the country is calm so insurance costs and risk premiums should not reflect the earlier realities of the 1990s.

There are no nascent rebel threats or neighbors aiming to destabilize Sierra Leone. Understandably, Sierra Leoneans and the Government are very sensitive to the political and security conditions in bordering Guinea and Liberia as well as within the region. Neighbors have successfully resolved recent electoral problems and are all now at peace. Disruption of cross border trade with Guinea would have a direct effect on availability and cost of foodstuffs and other goods. U.K., U.S., and U.N. training and new equipment have helped the Sierra Leone Police increase capacity to handle such events. The police performed well during the 2012 national elections.

## **13. Corruption**

Sierra Leone signed the U.N. Convention against Corruption in December 2003 and ratified it in September 2004. Sierra Leone established its independent Anti-Corruption Commission (ACC) in 2000 and significantly strengthened it in the Anti-Corruption Act of 2008. The Anti-Corruption Act is not used disproportionately against foreigners. The ACC is charged with investigating cases and educating the public to reduce corruption in its many forms. The ACC has many pending investigations, and several indictments. Joseph Kamara, the current ACC Commissioner, has widened the scope of the office and in 2012 pursued 21 cases, the highest number of cases in the ACC's history. Kamara's actions indicate both that the ACC seems determined to continue to pursue corruption, but also confirms that there are corrupt officials at many levels of the Government. Bribes, kickbacks, extortion, and skimming remain

a problem specifically in government procurement, transfers, dispute settlement, and taxation. Giving or accepting a bribe is a criminal act, both within Sierra Leone and from a local company or individual to a foreign official, and is to be prosecuted by the ACC. Penalties vary based on the magnitude of the bribe.

Sierra Leone was certified as being an Extractive Industries Transparency Initiative (EITI) compliant country in April 2014.

Sierra Leone's score on Transparency International's 2013 "Corruption Perception Index" has improved for the fifth year to a score of 30, ranking Sierra Leone 119 out of 177 countries globally. This year, Sierra Leone passed five of the six Ruling Justly indicator criteria for Millennium Challenge Corporation Compact eligibility and 11 of 20 overall indicators. Along with TI, the Campaign for Good Governance and Transparency Alert are other corruption watchdog organizations in Sierra Leone.

#### **14. Bilateral Investment Agreements**

The U.S. Embassy in Freetown, the U.S. Department of Commerce, and the Office of the U.S. Trade Representative are exploring a potential framework trade agreement with the regional organization, the Mano River Union (comprising Guinea, Ivory Coast, Liberia, and Sierra Leone). Sierra Leone does not have a bilateral investment treaty (BIT) or taxation treaty with the U.S., but has BITs with the U.K. and Germany.

#### **15. OPIC and Other Investment Insurance Programs**

Currently the Overseas Private Investment Corporation (OPIC) is not providing any finance to or insure for projects in Sierra Leone.

#### **16. Labor**

##### ***The Right of Association***

The law allows workers to join unions of their choice without prior authorization or excessive requirements. However, it prohibits civil service employees, police, and members of the armed services from joining unions. The law allows unions to conduct their activities without interference, and the government generally protects this right; however, in some private industries employers were known to intimidate workers to prevent them from joining a union. According to the Ministry of Labor, approximately 35 to 40 percent of workers in the formal economy were unionized, including mainly agricultural workers, mineworkers, and health workers. Unions have the right to strike, although the government requires 21 days' notice.

##### ***The Right to Organize and Bargain Collectively***

The law provides for collective bargaining if it takes place in trade group negotiating councils, each of which must have an equal number of employer and worker representatives. Collective bargaining is widespread in the formal sector and most enterprises are covered by collective bargaining agreements on wages and working conditions. The law does not prohibit anti-union discrimination against union members nor employer interference in the establishment of unions.

##### ***Prohibition of Forced or Compulsory Labor***

The law prohibits forced and compulsory labor, including by children. However, the Government does not effectively enforce the law and the practice of forced labor still occurs particularly in agriculture and diamond mining. Under the law, individual tribal chiefs may impose forced labor as punishment and often require villagers to contribute to the improvement of common areas as punishment.

### ***Prohibition of Child Labor and Minimum Age for Employment***

Child Labor is widespread. Almost half of children aged 14-15 years were engaged in some form of child labor. The rate varied from 27 percent in urban areas to 57 percent in rural areas. The law limits child labor, allowing light work at age 13, full-time work at age 15, and hazardous work at age 18. The law states that children under 13 should not be employed in any capacity. However, enforcement was not effective.

Children aged 15 may be apprenticed (provided they have finished schooling) and employed full-time in nonhazardous work. The law sets health and safety standards and requires school attendance through the age of 15.

In rural areas, children often work seasonally on family subsistence farms. Children also routinely assist in family businesses and work as petty vendors. Adults often engage street children to sell, steal, and beg. Due to the high adult unemployment rate, few children are involved in the industrial sector or elsewhere in the formal economy.

### ***Acceptable Conditions of Work***

Formal sector employment is largely governed by collective bargaining agreements between employers and unions. Such agreements are common in sectors such as tourism, commerce, petroleum, manufacturing, media, entertainment, financial services, general services, and public utilities. The national minimum wage, covering all occupations including in the informal sector, was is now set at 480,000 Leones (\$110.60) per month effective January 2014. This level does not provide a decent standard of living for a worker and family but comparatively better to previous years.

The Ministry of Labor is responsible for enforcing the minimum wage, but lacks the resources to do so effectively. Compliance is difficult to monitor in the informal business sectors. Most workers support an extended family and it is common to pool incomes and to supplement wages with subsistence farming and child labor. A controversial aspect of Government policy regarding foreign investment is that foreign companies are permitted to import any labor they require. This includes unskilled workers.

Although not stipulated by law, the standard work week is 40 hours (60 hours for security personnel). Two consecutive days off per work week is mandatory. Work beyond 40 hours is paid at 50 percent overtime and required work on rest days is 100 percent overtime. Employers negotiate work hours with employees at the time of hiring. There is no prohibition on excessive compulsory overtime.

Workers can be dismissed for incompetence, inefficiency, violation of rules, or serious offenses in a reasonably straightforward manner. After two written warnings, an employee can be dismissed without compensation. There is an appeals process via employer-union consultations and possible intervention by the Commissioner of Labor.

## 17. Foreign Trade Zones/Free Ports

In 2003, the Government and Chinese company Henan Guoji Group launched a joint venture to develop an industrial and trade zone. The Government was to provide the land and existing buildings while Henan Guoji Group would supply capital, expertise, and some labor. The venture was not completed reportedly because the two parties could not finalize agreement on incentives and exemptions to be provided by the Government.

Today, First Step, a subsidiary of the non-profit international development agency World Hope International (WHI), has established a Special Economic Zone (SEZ) in Sierra Leone on 50 acres near the country's principal seaport in Freetown. First Step will lease space to partner firms and assist them with networking, logistics support, and establishing their operations. Among the incentives provided to the SEZ by the Government are: import and export duty exemptions; three year corporate tax holidays; and expedited government services including customs, immigration, and registration.

## 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

**TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
<b>Economic Data</b>	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP)(Millions U.S. Dollars)	2012	\$3.80	2013	\$4.521billion	<a href="http://data.worldbank.org/country/sierra-leone">http://data.worldbank.org/country/sierra-leone</a> <a href="http://www.economywatch.com/economic-statistics/country/">http://www.economywatch.com/economic-statistics/country/</a>

\* Provide sources of host country statistical data used.

<http://www.heritage.org/index/country/sierraleone>

**TABLE 3: Sources and Destination of FDI**

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	369	100%	Total Outward		

Nigeria	320	87%			
Sweden	25	7%			
Mauritius	17	5%			
Italy	3	1%			
Hungary	2	1%			

**TABLE 4: Sources of Portfolio Investment**

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	369	100%	All Countries	10	100%	All Countries	15	100%
Nigeria	320	87%	Nigeria	320		Sweden	15	52%
Sweden	25	7%	Sweden	10		Mauritius	14	48%
Mauritius	17	5%	Italy	3				
Italy	3	1%	Mauritius	3				
Hungary	2	1%	Hungary	2				

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

Mixed legal system of English common law and customary law

### International organization participation:

ACP, AfDB, AU, C, ECOWAS, EITI (candidate country), FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IDB, IFAD, IFC, IFRC, IHO (pending member), ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITU, ITUC (NGOs), MIGA, NAM, OIC, OPCW, UN, UNAMID, UNCTAD, UNESCO, UNIDO, UNIFIL, UNISFA, UNMIT, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

**Exchange control**

Exchange control is under the direct supervision of the Bank of Sierra Leone. The following are broad guidelines:

Real estate transactions

Sierra Leoneans: Capital transfers for real estate transactions are not permitted.

Non-Sierra Leoneans: Non-Sierra Leoneans can purchase real estate from funds brought in by documented remittances through an authorised dealer.

Holdings of assets abroad

Transactions under this category should be processed within the regulations governing foreign currency accounts.

Borrowing

Internal Borrowing (in Leones): It is permitted for an authorised dealer acting within the existing regulations to grant commercial and financial credits to a legal entity registered in Sierra Leone.

External Borrowing: It is permitted to contract external loans fully covered by external collateral acceptable to the lending institution. Documentation to assess the quality of the collateral should be available for inspection by the Bank of Sierra Leone.

Guarantees

The prior approval of the Bank of Sierra Leone should be obtained for the giving and renewal of:

- (a) any guarantee or any other undertaking, the implementation of which would involve payment to a non-resident or payment in any foreign currency
- (b) any guarantee to a resident in Sierra Leone on behalf of or in the account of a resident outside Sierra Leone.

Commercial Banks may, without the prior permission of The Bank of Sierra Leone, give the following types of guarantees on behalf of their customers:

- (a) guarantees in respect of missing documents
- (b) the authenticity of signatures

(c) the release of under trust receipts and the like.

#### Investments

All capital inflows for investment, whether public or private, are allowed by non-Sierra Leoneans. The repatriation of such capital inflows for investment is also permitted through an authorised dealer.

#### **Treaty and non-treaty withholding tax rates**

None of the double tax agreements entered into by Sierra Leone reduce the rate of withholding taxes on payments to non-residents.

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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Gary Youinou

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