

SIERRA LEONE

Ministry of Mineral Resources

CORE MINERAL POLICY

1. Introduction

1.1

The importance of the minerals sector to the economy of Sierra Leone is illustrated by the fact that during the 1960's and 1970's it provided the country with over 70% of foreign exchange earnings, 20% of gross domestic product and 15% of fiscal revenue. In order to revive the minerals sector, the geological potential of the country needs to be complemented by the implementation of mineral policies that will attract foreign and local investors. Sierra Leone is well known for having a variety of geological environments that host metalliferous ore-bodies and non-metallic mineral deposits. In the past Sierra Leone has been a significant producer of diamonds, iron ore, rutile and bauxite. Other minerals and metals such as gold, chromite and platinum have also been mined. The former productivity of the diamond, rutile, iron ore and bauxite mining operations in the country and the relatively small amount of detailed exploration work that has been done in recent years suggest there is good potential for the discovery of new ore deposits.

1.2

The new Core Mineral Policy (CMP) of the Government of Sierra Leone has been designed to create an internationally competitive and investor-friendly business environment in the mining sector. The policy is expected to assist the mining industry in attracting foreign and local private sector funds and to provide benefits and protection for the people and the environment of Sierra Leone. The policy will provide an enabling legal and fiscal regime for all mining operations from large-scale mines such as those of Sierra Rutile to the small artisanal gold and diamond mines in the provinces.

The policy is also intended to enable the private sector to take a lead in exploration, mine development, mineral beneficiation and marketing.

1.3

The 1995 and 1998 mining policies provided the foundation for establishing an enabling environment for attracting much needed foreign and local investments into the minerals sector. The CMP is designed to improve the goals and objectives of those previous policies by enhancing the social and economic benefits for the country and the communities affected by mining activities. The sector is expected to make important contributions towards industrial, social, economic and infrastructure development particularly in rural areas. It is also expected to provide new employment opportunities, generate foreign exchange earnings and contribute significantly to government revenue.

1.4

The minerals sector has been an essential part of the Sierra Leone economy for almost ninety years. Reform of the minerals sector and the diamond industry in particular are considered crucial because of their importance to the economic development of the country. The Government has correspondingly assigned a high priority to activities aimed at the reactivation and sustainable development of the minerals sector to assist in rebuilding the country and rectifying the devastation caused by the war. The principles and objectives outlined in the Core Mineral Policy will ensure that the development of the minerals sector is achieved in ways that are economically beneficial, socially responsible and will protect the environment.

2. Core Mineral Policy: Vision

2.1

The CMP will facilitate the creation of a fair and transparent business environment that will stimulate the development of a successful minerals sector. The Government expects private investors to re-start the former rutile and bauxite mining operations and to make possible the development of several new gold and diamond mines. The Government anticipates 4-5 large mechanised mines to be in operation by the end of the year 2008. In the artisanal sub-sector the government intends that the CMP is desirous to significantly reduce illicit diamond mining, trading and smuggling activities and improve the social, environmental and economic performance of artisanal and small-scale mining operators.

The CMP will also address issues related to the potential conflict of interest between hard rock and mechanized and semi-mechanized small-scale miners inherent in the present minerals law operational practices.

3. Core Mineral Policy: General Strategy

3.1

The Government of Sierra Leone will ensure that the mineral wealth of the nation makes a positive contribution to economic and social development throughout the country. The Government that it will do everything in its power to make sure that the income from minerals including diamonds will be used to the benefit of the country and ensure this will be achieved by ensuring that all licensing fees, royalties, taxes and any other forms of income from the exploitation of minerals are collected and properly recorded and that all mining, trading and exporting companies in the minerals sector operate within laws that comply with international trading protocols.

3.2

The Government of Sierra Leone is committed to a 'free market' approach and economic policies, which will ensure the development of the minerals sector in accordance with international best practice and within an enabling environment competitive with other countries with similar exploration and mining potential. The Government will ensure the sector is managed in a transparent, open and accountable manner. This approach may require changes being made to laws and procedures that are not part of the minerals sector. Examples of such laws are those used to monitor and regulate banking and foreign exchange transactions in the diamond industry and those used to monitor and regulate the import and export tariffs and procedures for mining and exploration equipment and mineral products.

3.3

The Government will stimulate and guide potential foreign and domestic investors in the minerals sector by making available at a reasonable cost, geological data and other information required by prospecting, exploration and mining companies at a specified Government institution. The Government will ensure that guidelines and information services are created to provide freely available information on licensing procedures, fees structures, royalties, taxes and other liabilities. The Government will create a publicly accessible system for publishing export, dealing, and mining licence applications which will be updated on a regular basis.

3.4

In the short term, the Government will strictly enforce current mining laws, licensing procedures and regulations. However, the government will move to make changes that are acceptable within International Law to bring Sierra Leone into a more competitive position vis a vis international mining law. The Government will review all of the laws and regulations governing the mining and marketing of minerals in Sierra Leone to ensure that these laws fall in line with best practices and are comparable with regulations in

the rest of the sub-continent. The review and any subsequent amendments to these laws and regulations will ensure that the legal and fiscal framework are consistent, clear and unambiguous.

3.5

The Government of Sierra Leone fully supports the aims and objectives of the international trading protocols used for the import and export of rough diamonds. The trading and exporting of rough and polished diamonds from Sierra Leone will be carried out in accordance with the rules and principles of the 'Kimberley Process' and the laws of Sierra Leone. The Government will ensure compliance with the 'Kimberley Process' by improving the monitoring, licensing, mining, dealing and exportation procedures in the diamonds sub-sector.

3.6

The Government will enforce the existing laws designed to provide protection for the workforce and the environment. The Government will develop health and safety legislation, underground mining regulations and review existing environmental legislation in particular the law regarding the rehabilitation of 'abandoned' mine workings. The Government will also develop appropriate legislation to prevent the use of child labour.

3.7

The Government of Sierra Leone is committed to the continued economic development and increased efficiency of the artisanal mining sector. The Government will encourage the development of credit schemes and the formation of co-operatives designed to disseminate information on more efficient and safer mining practices and to bring artisanal miners into the sphere of influence of those trying to develop diamonds as a positive way forward within the Sierra Leone economy.

3.8

The Government will encourage the creation of new marketing opportunities, particularly for diamonds, and the development of business activities that will also add value.

3.9

The Government will do all in its power to facilitate the institutional capacity build-up and human resources development to achieve all of the foregoing.

4. Core Mineral Policy: Summary of Main Strategic Objectives

1. Review and Amend Mining Laws, Regulations and Associated Laws to make them as attractive as possible for investment here rather than in neighbouring countries with similar mineral potential.
2. Strengthen the Institutions that Administer, Regulate and Monitor the Mineral Industry in Sierra Leone to allow the mining industry, especially with respect to the diamond industry to be turned around to become a positive for Sierra Leone;
3. Develop and Strengthen Human Resources in the Minerals Sector.
4. Attract Private Investments into the Minerals Sector. Encourage private investment to use the implementation of the Kimberley Process as a positive at the forefront of selling diamonds for peace and development properly registered by the Kimberley Process;
5. Ensure that Sierra Leone's Mineral Wealth Supports National Economic and Social Development
6. Improve the Regulation and Efficiency of Artisanal and Small-Scale Mines
7. Minimise and Mitigate the Adverse Impact of Mining Operations on Health, Communities and the Environment.
8. Promote Improved Employment Practices, Encourage Participation of Women in the Mineral Sector and Prevent the Employment of Children in Mines.
9. Add Value to Mineral Products and Facilitate Trading Opportunities for Mined Products.

10. Improve the Welfare and Benefits of the Individuals and Communities Participating in and Affected by Mining.

5. Core Mineral Policy: Details

Objective 1: Review and Amend Mining Laws, Regulations and Associated Laws to make them as attractive as possible for investment here rather than in neighbouring countries with similar mineral potential.

Principle: The Government will ensure that the laws and regulations governing the Minerals Industry in Sierra Leone are fair, balanced and unambiguous and that they will be applied in a consistent and transparent manner in compliance with international trading protocols such as the 'Kimberley Process' with a view to providing a competitive environment in the minerals industry to attract investment into Sierra Leone.

The Government will:

- Review and modify as appropriate the laws and regulations governing the Minerals Industry following a comprehensive consultation process with institutions, companies, individuals and communities involved in the Minerals Industry in Sierra Leone; with a view to making them competitive, and, in the case of diamonds, to attract the diamonds at present being smuggled, into the system
- Ensure that the current rights and agreements made with exploration, mining and investment companies are enforced and protected in accordance with the laws of Sierra Leone. Including the present first-come-first-served policy for licence applications
- Review and modify licensing procedures for reconnaissance, prospecting, exploration and mining licences;
- Review license fees and other charges and ensure they are regionally competitive.
- Develop a modern Cadastral System that will be used to manage and issue licences in the minerals sector

Objective 2: Strengthen the Institutions that Administer, Regulate and Monitor the Mineral Industry in Sierra Leone to allow the mining industry, especially with respect to the diamond industry, to be turned around to become a positive for Sierra Leone;

Principle: An enabling business environment including an adequate geological information service, consistent regulatory framework, attractive fiscal policy and charges and sufficient institutional capacity to swiftly process investment proposals and administrative activities in the Minerals Sector will be developed.

The Government will:

- Review and restructure as necessary the institutions that manage and administer Government activities related to the minerals sector.
- Review the composition, functions and independence of the Minerals Advisory Board and clearly define the future role of the Board in the development and monitoring of the Minerals Industry.

- Make provision for the training and development of adequate numbers of staff in the Institutions dealing with matters related to the Mineral Sector. These will include the Ministry of Mineral Resources, National Revenue Authority, Geological Survey and the Government Gold and Diamond Office.
- Review the remuneration, training, efficiency and number of staff in Institutions used to monitor and enforce laws and regulations for the minerals industry.
- Encourage co-operation and information sharing among the institutions that administer the minerals sector and those that enforce the law (Sierra Leone Police, Customs and Excise).
- Ensure that private and independent assaying and valuation services are available.
- Develop the capacity to acquire, process and disseminate information on the geology and mineral potential of Sierra Leone.
- Ensure that prospecting, exploration and mining companies provide the Government with survey and production data in a timely manner as specified in licensing agreements and by law.
- Review and revise the administrative and institutional framework used to administer the Minerals Sector and make recommendations for change.
- Consider the formation of a diamond bourse, professional institutions and training schools that will assist in developing a measure of self-regulation within the minerals industry and in particular the diamond sector.
- Develop an information service that will provide the public with export figures, production statistics, information on license holders and other non-commercial information on the activities of companies and individuals involved in the minerals sector in Sierra Leone.

Objective 3: Develop and Strengthen Human Resources in the Minerals Sector.

Principle: The Government will encourage the provision of opportunities for improving the qualifications and experience of people involved in the minerals industry. Support will be given to initiatives aimed at providing new job opportunities and that will increase the knowledge and skills of the workforce.

The Government will:

- Establish a board to accredit and review academic standards and professional qualifications relevant to the minerals industry.
- Strictly enforce provisions in the Law that have been developed to ensure the training of Sierra Leonean citizens in key areas of the minerals industry.
- Encourage the setting up of an institute based around the Departments of Geology, Engineering and law in the University of Sierra Leone to teach Mining Law and Mining Practices and develop measures to re-establish the research base in academic and professional institutions.
- Establish new and strengthen existing academic and vocational training schools that will provide technicians for the minerals industry.
- Develop regulations for the reporting of personnel within approved training programmes.

Objective 4: Attract Private Investment into the Minerals Sector. Encourage Private Investors to implement the Kimberley Process as apposite for peace and development.

Principle: The Government will initiate measures that will attract inward investment through the development of progressive and predictable tax and fee structures, guidelines and other measures. In response, the Government will expect businesses to operate within the law and assist in the development of a fair and open trading environment.

The Government will:

- Establish an institutional framework with a stable, predictable, competitive ‘investor friendly’ legal and fiscal environment.
- Investigate ways to harmonise mineral policy with the laws and export procedures of other countries in the region as a way to discourage smuggling and increase official exports.
- Encourage the development of open and transparent mechanisms for marketing mineral products.
- Encourage the transfer of technology that may lead to the establishment of new businesses within the minerals sector.
- Encourage the banking sector to initiate changes that will attract businesses to use national and international banking services. These will include measures such as the use of a market based exchange rate, reducing the size of the parallel ‘cash’ market through the enforcement of banking regulations and a review of tax requirements for importing mining plant and machinery.
- Consider accepting equity in lieu of dues, taxes and fees. In the case of new mines, the Government may consider the acceptance of equity if offered.

Objective 5: Ensure that Sierra Leone’s Mineral Wealth Supports National Economic and Social Development.

Principle: The Government will ensure that the wealth generated through the exploitation of mineral resources in the country benefits the population fairly. The areas devastated during the war will receive additional assistance in the short-term for rebuilding local infrastructure and services.

The Government will:

- Ensure that the mining industry supports the social and economic development of mining communities and those affected by mining operations.
- Continue to support revenue sharing schemes that provide incentives for legal mining and marketing of mined products.
- Ensure that local communities are protected where their livelihoods, infrastructure or housing is being affected by mining operations.

Objective 6: Improve the Regulation and Efficiency of Artisanal and Small-Scale Mines.

Principle: The Government will regulate, monitor and administer artisanal and small-scale mining in a manner that will create open competition, continuity and security of tenure for license holders, and make it advantageous for the miners to work within the legal system and therefore minimise smuggling.

The Government will:

- Encourage and promote a revolving loan fund scheme to provide basic mining equipment and machinery at affordable prices and reasonable terms for artisanal and small-scale mining.
- Strictly enforce the existing laws governing the financing and operation of artisanal mining operations.
- Initiate a scheme that will allow the clear identification of people licensed to operate and trade in the minerals industry.
- Review the laws and regulations governing the financing of artisanal mining operations.
- Encourage the dissemination of marketing information on the minerals sector.
- Encourage technical training to improve mine planning, mineral processing, prospecting and exploration skills in the sector.
- Promote the formation of local trade associations and co-operatives in the mining sector.
- Publicise the detrimental effect on the economy of illegal activities such as un-licensed mining and smuggling.

Objective 7: Minimise and Mitigate the Adverse Impact of Mining Operations on Health, Communities and the Environment.

Principle: The Government has a duty of care to protect the environment in the national interest. The Government will develop and enforce measures to protect the environment, improve occupational health in the mining regions, increase safety in mines and reduce social problems in mining communities.

The Government will:

- Review its obligations and institutional responsibilities for the protection of the environment.
- Improve, monitor and enforce the laws and regulations for the closure, reclamation and rehabilitation of mines. Ensure that duration of environmental and mining licenses are concurrent.
- Promote the use of mining and processing methods that reduce the adverse impact on the environment. Improve public knowledge of the environmental consequences of the mining and mineral processing methods that are used at present.
- Review the requirements for the preparation and monitoring of procedures and conditions in Environmental Impact Assessments (EIA). Develop methods that will be used to enforce the conditions stated in approved EIA's. State clearly the exemptions from EIA reporting requirements.

- Review and make recommendations on the charges made to cover the cost of environmental compensation and the rehabilitation of former (artisanal, small-scale and industrial) mine workings.
- Encourage medium to large-scale mines to operate in safe and environmentally responsible manners in accordance with approved environmental management plans.
- Ensure that communities affected by mining operations benefit from development programmes funded by the local taxes, fees and land rent charges imposed on mine operators by the land owners.
- Encourage mining companies to develop and maintain infrastructure that benefits local communities.
- Ensure that all mining companies contribute to the Agricultural Development Fund as required by law.
- Encourage industrial mining operations to be responsible corporate citizens by investing in the development of the communities in which they operate. Such as the support of health care facilities, dispensaries, clinics and HIV/AIDS screening centres.
- Develop initiatives that will provide health and safety education in the mining regions.
- The Government will actively encourage the establishment of diversified economic activity in mining regions to enable workers that wish to leave the mining industry to do so.

Objective 8: Promote Improved Employment Practices, Encourage Participation of Women in the Mineral Sector and Prevent the Employment of Children in Mines.

Principle: The Government will ensure that the minerals industry will provide equal opportunities for women and that the employment of children is prohibited.

The Government will:

- Formulate mining sector employment regulations.
- Encourage the employment and involvement of women in mining.
- Encourage the formation of women mining associations or groups.
- Develop and strictly enforce regulations that will prevent the employment of children in mining activities.
- Remove restrictive practices on the participation of women in the minerals sector.

Objective 9: Add Value to Mineral Products and Facilitate Trading Opportunities for Mined Products.

Principle: The Government of Sierra Leone will actively encourage and assist national and international companies that will add value to the metals and minerals mined in the country to develop new businesses and employment opportunities.

The Government will:

- Ensure that legal, regulatory, technical, statistical and business data and information is easily accessible for national and international investors and businesses.
- Encourage the development of metal and mineral processing businesses that will add value to metal and mineral products mined in Sierra Leone.
- Encourage the establishment of jewellery manufacturers and retailers, diamond cutting and polishing facilities and other businesses that will add value to exports and increase earnings.

Objective 10: Improve the Welfare and Benefits of the Individuals and Communities Participating in and Affected by Mining.

Principle: The Government will discuss basic local infrastructure requirements in the mining regions with potential national and international investors. Where appropriate the Government may be prepared to enter into joint venture agreements to provide infrastructure for mining communities in partnership with investors. The Government is also committed to assisting initiatives that will provide improved levels of remuneration for workers in the minerals industry.

The Government will:

- Ensure that mining companies deliver the benefits to local communities as stipulated in their mining lease.
- Protect the rights of citizens, communities and investors in accordance with the laws of Sierra Leone and international laws where applicable.
- Encourage mining companies to actively participate in social and economic development programs within communities affected by their activities.
- Assist with the development of legitimate trade unions, trade associations, co-operatives, and community groups, civil society organisations that represent and protect the rights of the citizens of Sierra Leone.

6. Conclusion.

6.1

The Government's role is that of promoting, monitoring and facilitating investment in the minerals sector. The Government also provide formal assaying and valuation services in particular to artisanal and small-scale miners. The Government will develop public information programmes to raise awareness nationally and internationally of the existence of business opportunities in the minerals sector in Sierra Leone and to broaden opportunities for private sector participation.

6.2

The implementation of the strategies considered under the Core Mineral Policy requires good partnership among the Government, private sector, civil society and international organizations. The strategy and objectives outlined in the policy will determine the activities that will be integrated into a comprehensive programme for the development of the minerals sector in Sierra Leone. Implementation of the Core Mineral Policy will ensure the exploitation of mineral resources in the national interest and will bring improved economic and social benefits for the people of Sierra Leone.

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