Board decision on the second Validation of Sierra Leone 2018

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The Board's decision

The Board came to the following conclusion regarding Sierra Leone's status:

The Board agrees that **Sierra Leone has made meaningful progress** overall in implementing the EITI Standard. In accordance with requirement 8.3c, Sierra Leone will be requested to undertake corrective actions before the second Validation on **17 December 2020**.

The Board takes note of the Validation’s findings regarding Requirement 1.2 on industry engagement. The Board acknowledges that the Independent Validator and International Secretariat reached different assessments regarding the requirement. The Board considers that progress in meeting Requirement 1.2 has been meaningful, but emphasises its expectation that Sierra Leone demonstrates progress in addressing the corrective action related to industry engagement in its second Validation. The Board agrees to monitor progress with the corrective actions and revisit the issues following the next Validation.

EITI implementation in Sierra Leone has improved the availability of information and strengthened dialogue between stakeholders. The EITI Board commends the Government of Sierra Leone’s commitment to EITI implementation and Sierra Leone’s efforts to embed EITI provisions in national legislation. The Board encourages Sierra Leone to embed systematic disclosures of data required by the EITI Standard in routine government and company systems, building on companies’ current statutory reporting to government.

The Board considers that the government’s strong commitment to EITI implementation has not yet been matched by commensurate engagement by industry and civil society. The focus on reconciliation of extractives revenues collected at the national level has not yet been combined with efforts to clarify subnational revenue flows, both in terms of direct payments and transfers from the national government. The Board encourages Sierra Leone to clarify the status of government support for extractives companies, the existence of any barter or infrastructure arrangements and the scope of companies’ mandatory social expenditures.

There is potential for the EITI to contribute to an annual diagnostic of the management of licensing activities, clarifying the basis for official mineral production and export figures and supporting an evidence-based public debate on artisanal and small-scale mining. Sierra Leone is required to ensure that beneficial ownership data is made publicly available by 1 January 2020.

The Board has determined that Sierra Leone will have 18 months, i.e. until **17 December 2020** to carry out corrective actions regarding the requirements relating to industry engagement (1.2), civil society engagement (1.3), MSG governance (1.4), work plan (1.5), license allocations (2.2), state-participation (2.6), production data (3.2), comprehensiveness (4.1), barter and infrastructure arrangements (4.3), direct subnational payments (4.6), data quality (4.9), subnational transfers (5.2), social expenditures (6.1) and public debate (7.1), with industry engagement, MSG governance, barter and infrastructure arrangements, direct subnational payments, subnational transfers and social expenditures being the main areas of concern. Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Sierra Leone’s MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.
The Board’s decision followed a Validation that commenced on 1 July 2018. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a draft Validation report to the MSG for comment. The MSG’s comments on the report were taken into consideration by the independent Validator in finalising the Validation report and the independent Validator responded to the MSG’s comments. The final decision was taken by the EITI Board.

**Background**

The Government of Sierra Leone first announced its intention to join the Extractive Industries Transparency Initiative (EITI) in June 2006 and formed their first multi-stakeholder group (MSG), the Sierra Leone EITI Steering Committee (SLEITI), in June 2007. Sierra Leone became an EITI Candidate in February 2008 at the EITI Board’s meeting in Accra.

The Validation process commenced on 1 July 2018. In accordance with the Validation procedures, an initial assessment was prepared by the International Secretariat. The MSG submitted comments to the initial assessment and the draft Validation report, together with comments from the company Sierra Rutile / Iluka Resources on 4 April. The Validation report was subsequently finalised by the Validator.

The Validation Committee reviewed the case on 23 May 2019. Based on committee-members’ comments and deliberations, a revised paper was presented again on 29 May 2019 including more nuanced language regarding industry engagement in the EITI process in Sierra Leone. From the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below.

The Committee also agreed to recommend an overall assessment of “meaningful progress” in implementing the 2016 EITI Standard. Requirement 8.3.c. of the EITI Standard states that:

ii. Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment of overall compliance with all requirements in the EITI Standard.

...

iv. **Meaningful progress.** The country will be considered an EITI candidate and requested to undertake corrective actions until the second Validation.

The Validation Committee agreed to recommend a period of 18 months, i.e until **17 December 2020** to undertake the corrective actions. This recommendation takes into account that the challenges identified are relatively significant and seeks to align the Validation deadline with the timetable for Sierra Leone’s upcoming EITI Reports.

**Scorecard**
<table>
<thead>
<tr>
<th>EITI Requirements</th>
<th>Level of Progress</th>
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<tr>
<td><strong>Categories</strong></td>
<td></td>
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<tr>
<td>MSG oversight</td>
<td></td>
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<tr>
<td>Government engagement (#1.1)</td>
<td>No Progress</td>
</tr>
<tr>
<td>Industry engagement (#1.2)</td>
<td>Meaningful</td>
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<tr>
<td>Civil society engagement (#1.3)</td>
<td>Satisfactory</td>
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<tr>
<td>MSG governance (#1.4)</td>
<td>Beyond</td>
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<td>Workplan (#1.5)</td>
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<td>Licenses and contracts</td>
<td></td>
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<tr>
<td>Legal framework (#2.1)</td>
<td>No Progress</td>
</tr>
<tr>
<td>License allocations (#2.2)</td>
<td>Inadequate</td>
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<tr>
<td>License register (#2.3)</td>
<td>Meaningful</td>
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<tr>
<td>Policy on contract disclosure (#2.4)</td>
<td>Satisfactory</td>
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<tr>
<td>Beneficial ownership (#2.5)</td>
<td>Beyond</td>
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<td>State participation (#2.6)</td>
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<td>Monitoring production</td>
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<td>Exploration data (#3.1)</td>
<td>No Progress</td>
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<tr>
<td>Production data (#3.2)</td>
<td>Meaningful</td>
</tr>
<tr>
<td>Export data (#3.3)</td>
<td>Satisfactory</td>
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<td>Revenue collection</td>
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<td>Comprehensiveness (#4.1)</td>
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<td>In-kind revenues (#4.2)</td>
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<td>Barter agreements (#4.3)</td>
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<td>Transportation revenues (#4.4)</td>
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<td>SOE transactions (#4.5)</td>
<td>Beyond</td>
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<td>Direct subnational payments (#4.6)</td>
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<tr>
<td>Disaggregation (#4.7)</td>
<td>Meaningful</td>
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<td>Data timeliness (#4.8)</td>
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<td>Data quality (#4.9)</td>
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<td>Revenue allocation</td>
<td></td>
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<td>Distribution of revenues (#5.1)</td>
<td>No Progress</td>
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<tr>
<td>Subnational transfers (#5.2)</td>
<td>Inadequate</td>
</tr>
<tr>
<td>Revenue management and expenditures (#5.3)</td>
<td>Meaningful</td>
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### EITI Requirements

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<tr>
<th>Categories</th>
<th>Requirements</th>
<th>Level of Progress</th>
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<tr>
<td>Socio-economic contribution</td>
<td>Mandatory social expenditures (#6.1)</td>
<td>Satisfactory</td>
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<td></td>
<td>SOE quasi-fiscal expenditures (#6.2)</td>
<td>Beyond</td>
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<td>Economic contribution (#6.3)</td>
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<td>Outcomes and impact</td>
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<td>Data accessibility (#7.2)</td>
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<td>Follow up on recommendations (#7.3)</td>
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<td></td>
<td>Outcomes and impact of implementation (#7.4)</td>
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### No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.

### Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.

### Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.

### Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.

### Beyond. The country has gone beyond the requirements.

This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.

The MSG has demonstrated that this requirement is not applicable in the country.

### Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Sierra Leone. Progress in addressing these corrective actions will be assessed in a second Validation commencing on 17 December 2020:

1. In accordance with Requirement 1.2, the industry constituency is required to ensure the MSG representatives and broader constituency is fully, actively and effectively engaged in all aspects of EITI implementation. To galvanise industry’s attention, the constituency should formalise its consultative framework for industry, such as through revitalising the Chamber of
Mines. The MSG may wish to ensure EITI implementation objectives are consistent with
priorities of the industry constituency, and ensure that concerns of the industry are adequately
reflected at the MSG and in EITI reporting.

2. In accordance with Requirement 1.3.a, all interested civil society stakeholders must be able to
fully, actively and effectively engage in the EITI process. The constituency may wish to
formalise further the constituency’s engagement in the EITI process, to strengthen
coordination between MSG members and the broader constituency. The constituency is also
couraged to ensure that all agreed policies, rules and documents are publicised online and
regularly shared with the wider constituency. They may wish to ensure communication
channels are formalised and regularly monitored and refreshed.

3. In accordance with Requirement 1.4, the MSG should ensure its updated MoU and Internal
Rules clearly cover all provisions of Requirement 1.4.b and that any deviations from these
rules in practice are publicly noted and addressed. Civil society and industry constituencies
should formalise channels for wider constituency engagement, including by developing,
agreeing and publishing procedures for nominating and changing MSG representatives in an
open and transparent manner. The MSG is also encouraged to consider keeping public
attendance records and publishing MSG minutes online, to ensure greater transparency of the
MSG’s discussions and decisions.

4. In accordance with Requirement 1.5, Sierra Leone must ensure that its EITI workplan is
updated annually and may wish to employ the most recent guidance to ensure recent
developments and all required aspects of the EITI Standard are incorporated. In doing so, the
MSG must consult a wide range of stakeholders, including those not directly represented at
the MSG.

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

6. In accordance with Requirement 2.6.b, Sierra Leone should ensure that where the government
and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating
within the country, details on these loans and guarantees are clarified, as well as any details
on transactions related to them. Sierra Leone is urged to revisit such issues annually, to
ensure comprehensive reporting of the state’s participation in the extractive sector.

7. In accordance with Requirement 3.2, the Government of Sierra Leone should ensure that all
production volumes and values, including for the ASM subsector, is publicly accessible and
reported on.

8. In accordance with Requirement 4.1.a, Sierra Leone should ensure that all significant
payments made by extractive companies are considered in determining material revenue
streams. Any omissions should be documented and justified. It should only exclude entities
where payments are demonstrably not material, in accordance with Requirement 4.1.c. The MSG should also ensure that the government unilaterally reports all government revenues from the extractive sector, by individual revenue stream, regardless of its inclusion in the reconciliation exercise as per Requirement 4.1.d.

9. In accordance with Requirement 4.3, Sierra Leone is required to consider whether any agreements, or set of agreements, involve the provisions of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production rights. To do so, the MSG and the Independent Administrator needs to gain a full understanding of the terms of any relevant agreement and contracts between the state and other parties involved, the value of such agreements, and the materiality of such agreements relative to conventional agreements. Where such agreements are material, the MSG and Independent Administrator should ensure that EITI Reports provide a level of detail and transparency commensurate with disclosures and reconciliation of other payments and revenue streams.

10. In accordance with Requirement 4.6, Sierra Leone should undertake a comprehensive review of which direct taxes and levies extractive companies are subject to at subnational level. Sierra Leone should ensure that reporting mechanisms are established which allow for estimation of total subnational payments in Sierra Leone, to determining whether payments are material. The MSG should provide a comprehensive explanation of how such payments are determined, paid, and managed. Where material, the Sierra Leone should ensure that reconciled information on all companies’ payments to subnational government entities and the collection of payments are publicly accessible.

11. In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with Requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

1. Agree on reporting templates ahead of data collection

2. Ensure that the Independent Administrator provides a clear and categorical assessment of comprehensiveness and reliability of the (financial) data presented.

3. Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.
12. In accordance with Requirement 5.2, Sierra Leone should ensure that subnational transfers of extractive sector revenues are publicly disclosed, when such transfers are mandated by national law or other revenue sharing mechanism. In addition, Sierra Leone should publish the detailed transfer amounts calculated in accordance with the relevant revenue formulas to each subnational entity under both the Diamond Area Community Development Fund (DACDF) and surface rent payments that are distributed by central government agencies. Lastly, Sierra Leone should ensure actual transfers are disclosed in detail and summarised, highlighting any deviation from statutory calculations.

13. In accordance with Requirement 6.1, Sierra Leone should ensure mandatory social expenditures, such as expenditures under Community Development Agreements, are comprehensively disclosed each reporting year. For all material mandatory social expenditures, companies are required to disclose the nature and value of transactions, whether in cash or in kind, and ensure that disclosures be disaggregated by non-government beneficiary with information on the names and functions of third-party beneficiaries. Sierra Leone is encouraged to reconcile mandatory social expenditures and consider disclosing information on companies’ voluntary social expenditures.

14. In accordance with Requirement 7.1, Sierra Leone should ensure timely dissemination of EITI data and findings as well as effective outreach to key stakeholders. It should also ensure that the SLEITI open data policy is implemented in practice. To strengthen implementation, Sierra Leone may wish to ensure that realistic workplan activities related to dissemination and outreach are duly implemented. Sierra Leone is encouraged to explore creative ways to disseminate EITI data to strengthen the EITI’s contribution to public debate. There were evidences of CSOs using data from the EITI reports in the past to launch reports. However, these reports are not recent, indicating that the CSOs activities in the extractive sector in Sierra Leone have slowed down.

The government and the MSG are encouraged to consider the other recommendations in the Validator’s Report and the International Secretariat’s initial assessment, and to document the MSG’s responses to these recommendations in the next annual reporting on progress.

News

EITI countries progress on path to transparency and accountability

The EITI Board assessed the status of four implementing countries - Albania, Mali, Peru and Sierra Leone - at its meeting in Paris on 17 June.

What is Validation?

The EITI is implemented at the national level. In accordance with the EITI Standard, all EITI implementing countries are subject to periodic evaluation (“Validation”). Validation focuses on adherence to the EITI’s requirements on stakeholder engagement and government and company
disclosures.

“The majority of EITI countries have now undergone Validation against the EITI Standard”, said EITI Executive Director Mark Robinson. “The overall direction of travel is positive with implementing countries showing a growing commitment to transparency, and using EITI data to inform public debate. These cases also illustrate how implementing countries are going beyond the EITI Standard, with innovative disclosures on hydropower, subnational EITI implementation and sub-national transfers.”

**Albania**

The EITI Board found that Albania had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. The full Board decision is [here](#).

Albania was recognised for strengthening its multi-stakeholder oversight of extractives governance, with a clear impact on the efficiency of subnational transfers of mining, oil and gas royalties to the country’s 61 local governments. The Board outlined six corrective actions for the mineral-rich country, including clarifying license allocations and transfers, subnational revenue flows, state participation and further strengthening civil society engagement in EITI. A key aspect of Albania’s EU accession ambitions, there is scope to use the EITI’s diagnostic elements to improve the accountability of extractive industry governance just as the Trans-Adriatic Pipeline comes online in 2020.

**Mali**

The EITI Board found that Mali had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. The full Board decision is [here](#).

The Board recognized Mali’s efforts to use the EITI to inform the public debate on natural resource governance, in challenging circumstances linked to the country’s political and security fragility. The Board congratulated Malian stakeholders for their efforts to go beyond EITI requirements, by using EITI reporting as a means of ensuring greater transparency and accountability in the public financial management of extractives revenues, particularly with the redistribution of taxes to local governments, to meet robust popular demand for this information.

**Peru**

The EITI Board found that Peru had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. See [here](#).

Since its first Validation, Peru has made significant progress in reporting on the state’s participation in the extractive sector. The EITI Board commended Peru on its five regional EITI processes in Apurimac, Arequipa, Loreto, Moquegua and Piura as a significant development in bringing transparency to the local level. The Board welcomed the improved coverage of social expenditures, which often represent a substantial part of companies' contribution to local development. The progress and plans to disclose more information on those contributions through DATAMART, an online portal, was welcomed as an example of EITI mainstreaming.
Sierra Leone

The EITI Board found that Sierra Leone had made meaningful progress overall with implementing the 2016 EITI Standard, with considerable improvements across several EITI requirements. The full Board decision is here.

The Board noted that EITI implementation in Sierra Leone had improved the availability of information and strengthened dialogue between stakeholders. There has been a significant drop in revenues generated by the sector from USD 74m in 2013 to USD 26m in 2016, due to the fall in commodity prices and the Ebola crisis. The Government of Sierra Leone has embedded provisions related to EITI in national legislation. However, the focus on reconciliation of extractives revenues collected at the national level has not yet been combined with efforts to clarify subnational revenue flows, both in terms of direct payments to subnational governments from companies and transfers from the national government. Moving forward, the Extractive Industries Revenues Act 2018 (EIRA) obliges companies to publish their payments to government.

“The Government of Sierra Leone is committed to using EITI as a tool to improve investment climate by providing a clear signal to investors and international financial institutions that the country is committed to greater transparency. This will aid in mitigating political and reputational risks as well as creating a level playing field in Sierra Leone.” - Minister of State and SLEITI MSG Chair, Frantess Piagie Alghali, Sierra Leone

Learn more:

- Overview of Validation decisions and documentation pages here
- Summary and resources on the EITI Global Conference here