

Country profile: Sierra Leone

Main economic sectors and multinational companies

Colophon

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SOMO is an independent, non-for profit research and network organisation that promotes sustainable and fair global economic development and the elimination of the structural causes of poverty, environmental problems, exploitation and inequality.

Contents

1.	Introduction	4
2.	Sierra Leone: a brief introduction	5
2.1.	Key facts.....	5
2.2.	Short history of the conflict.....	6
3.	Main economic sectors.....	8
3.1.	Key characteristics of the economy	8
3.2.	Agriculture	9
3.3.	Mining.....	9
3.4.	Fisheries.....	10
4.	Major corporate players in important sectors.....	12

1. Introduction

This country profile forms part of SOMO's programme on Multinational Corporations in Conflict-Affected Areas. This four-year programme, funded by the Dutch Ministry of Foreign Affairs, aims to empower local NGOs and communities to analyse the impact of the private sector in conflict-affected areas, and to ensure that companies are held to account for corporate misconduct. The programme aims to pave the way for multinational enterprises and their suppliers to make a positive contribution to post-conflict reconstruction. The programme focuses on five conflict-affected countries: Colombia, Democratic Republic of Congo (DRC), Liberia, Sierra Leone and South Sudan.

This profile provides an overview of the following: the conflict in Sierra Leone; the country's key economic characteristics; the main economic sectors, their significance for the national economy and their associated risks. It also includes an overview of the major multinational companies active in Sierra Leone in the four selected sectors, namely agriculture, forestry, manufacturing and the extractives industry.

General information about the conflict and the economic sectors was obtained from publicly available sources, articles and reports. Company information was obtained from corporate database Orbis, as well as from annual reports and from the companies' websites. For any additional information, or to query omissions, please contact us at info@somo.nl.

2. Sierra Leone: a brief introduction

2.1. Key facts

The west African state of Sierra Leone lies between Guinea and Liberia, with a 402 km Atlantic coastline. It has a total land area of 71,740 sq km and a population of 5.7 million, and as of July 2014 its growth rate was 2.33 per cent. The population consists of a large number of different ethnic groups, with the Temne and Mende groups being the largest (both make up about a third of the population). As a result of colonisation by Britain in the 19th century, English is the official language of Sierra Leone, but the use of it is limited to the literate minority. Other widely spoken languages are Mende (mainly in the south), Temne (mainly in the north) and Krio (which is understood by 95 per cent of the population). Most Sierra Leoneans live in rural areas, with 39.2 per cent of the population living in urban areas (of which the capital, Freetown, is the largest). Along with its ethnic diversity Sierra Leone has a large religious diversity as well. Muslims make up approximately 60 per cent of the population, followed by Christians (10 per cent) and indigenous beliefs (30 per cent).¹ Sierra Leone is well known for its religious tolerance and for the cooperation between the different religions.²

Sierra Leone is a constitutional democracy, led by President Ernest Bai Koroma (president since 2007, re-elected in 2012). Sierra Leone has a parliament with 124 members. Koroma's All People's Congress (APC) has the majority of the parliament's popularly elected members while the Sierra Leone People's Party (SLPP), currently led by Sumanoh Kapen, is the second largest political party.

Map of Sierra Leone



¹ Most information regarding population and economy is retrieved from the CIA Factbook, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/sl.html>.

² Report of the Special Rapporteur on freedom of religion or belief, Heiner Bielefeldt, 2013, Mission to the Republic of Sierra Leone, <http://daccess-dds->>ny.un.org/doc/UNDOC/GEN/G13/191/32/PDF/G1319132.pdf?OpenElement> (4 June 2014).

The Ebola epidemic in 2014 has had a devastating impact on Sierra Leone's economy. The World Bank estimated that the loss in economic growth as a result of Ebola amounted to US\$ 920 million.³ Every sector of its economy, including tourism, agriculture, road construction, arts and crafts and diesel sales have been significantly down.⁴ Due to quarantines and other restrictions, the harvest suffered – for example, rice production has been almost non-existent.⁵

2.2. Short history of the conflict⁶

Democracy in Sierra Leone is re-establishing itself after a brutal civil war that lasted from 1991 to 2002, resulting in over 70,000 deaths and the displacement of about half of the population (around 2.6 million people). The war started with a violent campaign against the government of Joseph Saidu Momoh (APC) by the Revolutionary United Front (RUF). The RUF, a rebel army, was led by Foday Sankoh, a former army corporal, and was supported by Charles Taylor who at the time was leader of the rebel National Patriotic Front of Liberia. The RUF became known for its cruelty – chopping off hands and feet of civilians, forcibly recruiting thousands child soldiers, and forcing thousands of girls into sexual slavery. Lacking a clear ideology, RUF's main aim was to increase and maintain control of (illegal) diamond mining and trading in Sierra Leone.

President Momoh was overthrown in 1992 by 25-year old Captain Valentine Strasser, who was himself ousted in a military coup in 1996 by former fellow captain Julius Maada Bio. The latter enabled a return to civil rule and in the same year Ahmad Tejan Kabbah was elected president. However, a military junta called the Armed Forces Revolutionary Council (AFRC) assumed power in 1997, sending Kabbah into exile and forming a government with RUF representatives. After Nigerian-led West African intervention drove the rebels out of Freetown, Kabbah returned. In 1999, the Lomé Peace Accord was signed, which also granted amnesty for Foday Sankoh and his combatants. However, peace was only restored after intervention of UN and British forces from 1999 to 2002. Only in 2002, after more than 17,000 foreign troops disarmed tens of thousands of rebels and militia fighters, was the civil war declared over. A UN-backed war crimes court was set up to try those from both sides who bore the greatest responsibility for brutalities. The final case ended in The Hague in April 2012, with judges finding former Liberian President Charles Taylor guilty of aiding and abetting war crimes in Sierra Leone.

Natural resources and conflict

The diamond business was the primary source of income for the RUF, providing more than enough to sustain its military activities.⁷ Most of the diamonds left Sierra Leone through Liberia, which was only possible because of the involvement of Liberian government officials at the highest level.⁸ The country's mineral resources played a major role in the civil war. Based on quantitative research by

³ World Bank website, "Ebola: Most African Countries Avoid Major Economic Loss but Impact on Guinea, Liberia, Sierra Leone Remains Crippling," 20 January 2015, <<http://www.worldbank.org/en/news/press-release/2015/01/20/ebola-most-african-countries-avoid-major-economic-loss-but-impact-on-guinea-liberia-sierra-leone-remains-crippling>> (16 March 2015).

⁴ New York Times, "Ebola Ravages Economies in West Africa," 30 December 2014, <<http://www.nytimes.com/2014/12/31/world/africa/ebola-ravages-economies-in-west-africa.html>> (16 March 2015).

⁵ Washington Times, "As Ebola eases, Sierra Leone still struggles to recover," 15 March 2015, <<http://www.washingtontimes.com/news/2015/mar/15/as-ebola-eases-sierra-leone-still-struggles-to-rec/>> (16 March 2015).

⁶ The following sources have been used: BBC News, Sierra Leone profile, <<http://www.bbc.com/news/world-africa-14094194>>; The Chronicle Herald, "Sierra Leone's forgotten horrors," 22 April 2012, <<http://thechronicleherald.ca/thenovascotian/89185-sierra-leones-forgotten-horrors>>; M. Chege, "Sierra Leone: The State that Came Back from the Dead," in *Washington Quarterly*, 2002, Vol. 25, No. 3, pp. 147-160.

⁷ UN Panel of Experts (2000) Report of the Panel of Experts appointed pursuant to Security Council, Resolution 1306 (2000), paragraph 19, in relation to Sierra Leone, <<https://www.globalpolicy.org/component/content/article/203-sierra-leone/39446-report-of-the-panel-of-experts.html>> (1 April 2015).

⁸ UN Panel of Experts, Report of the Panel of Experts appointed pursuant to Security Council, Resolution 1306 (2000), paragraph 19, in relation to Sierra Leone.

Ross (2004), in which the relationship between resource wealth and the onset as well as the duration of civil war is analysed, it appears that resources contributed to the outbreak of civil war in Sierra Leone.⁹ Of the 13 cases in this research, Sierra Leone is the only case where grievances stemming from resource exploitation by companies seem to have played a role in the outbreak of civil war. The article notes that, “RUF propaganda complained about resource exploitation, railing against “the raping of the countryside to feed the greed and caprice of the Freetown elite and their masters abroad”.¹⁰ During the war, both the RUF and the government used resource wealth for their own ends in such a way that it may have prolonged the war. Both parties sold so-called booty futures – “the right to exploit mineral resources that the seller has not yet captured” to foreign actors – in order to finance their military activities.¹¹

⁹ M.L. Ross, “How Do Natural Resources Influence Civil War? Evidence from Thirteen Cases,” in *International Organization*, Vol. 58, No. 1, (Winter, 2004), p. 49.

¹⁰ M.L. Ross *ibid*, p. 51.

¹¹ M.L. Ross *ibid*, p 58-59.

3. Main economic sectors

3.1. Key characteristics of the economy

With a GDP per capita (PPP) of US\$ 2,000, Sierra Leone is one of the poorest countries in the world.¹² Poverty is heavily concentrated in rural areas, and urban areas outside Freetown. In 2013, 56.6 per cent of the population lived below the poverty line.¹³ Until the Ebola outbreak in 2014, the country had one of the fastest growing GDP rates in the world. From an estimated annual growth rate of 11.3 per cent, the Sierra Leone economy contracted at a rate of 2.8 per cent after the outbreak.¹⁴

The country possesses a substantial amount of mineral, agricultural and other natural resources, but cultivating these resources has been limited as a result of the civil war that devastated the country from 1991 until 2002. Foreign investment is also limited because of large-scale corruption among high-level officials. Recently, Sierra Leone has seen economic growth driven by iron ore mining and oil exploration, although falling iron ore prices and the Ebola outbreak severely impacted exports.¹⁵ The government is dependent on foreign assistance in order to meet its budgetary needs, as tax revenues as a percentage of GDP are only 10.9 per cent¹⁶ – a low figure, even compared to low- and middle-income countries in the Sub-Saharan region where average tax revenues as percentage of GDP are 14.4 per cent.¹⁷

The country's main exports include rutile, diamonds, cocoa, coffee, fish and bauxite and its main export partners include China, Belgium and Japan. The country imports machinery and equipment, fuels, lubricants and chemicals from China, India and others. Currently, nearly 50 per cent of the working-age population is active in agriculture. Unemployment is a major issue in Sierra Leone; the youth unemployment rate of 60 per cent is among the highest in West Africa.¹⁸

The human development index, which is an average measure of basic human development achievements in a country, ranks Sierra Leone at 183 out of 187 countries and territories.¹⁹ Since 2000 however (not taking into account the Ebola outbreak), Sierra Leone has had one of Africa's fastest rising rankings in the human development index, illustrated by an increase in life expectancy at birth and years of schooling for Sierra Leoneans.

¹² CIA Factbook, Sierra Leone country profile, available at <<https://www.cia.gov/library/publications/the-world-factbook/geos/sl.html>>.

¹³ World Bank, CPIA 2014, Sierra Leone Quick Facts, <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/07/15/090224b082ffaf9e/1_0/additional/122290272_201506196031935.pdf> (3 August 2015).

¹⁴ World Bank, Sierra Leone Overview, <<http://www.worldbank.org/en/country/sierraleone/overview>> (3 August 2015).

¹⁵ CIA Factbook, Sierra Leone, <<https://www.cia.gov/library/publications/the-world-factbook/geos/sl.html>> (11 August 2015).

¹⁶ World Bank Data (Indicator: Tax policies), <<http://wdi.worldbank.org/table/5.6>> (11 August 2015).

¹⁷ Ibid.

¹⁸ World Bank, Sierra Leone Overview, available at <http://www.worldbank.org/en/country/sierraleone/overview>

¹⁹ UNDP Human Development Report 2014, Sierra Leone: "Sustaining human progress: reducing vulnerabilities and building resilience," <http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/SLE.pdf> and <<http://www.sl.undp.org/content/sierraleone/en/home/presscenter/pressreleases/2013/03/19/-human-development-report-2013-launched-in-sierra-leone-/>> (11 August 2015).

3.2. Agriculture

Agriculture is the most important economic sector in Sierra Leone. According to the FAO, “about 62 per cent of the population lives in rural areas and depends on agriculture for food and income”.²⁰ Major food crops are rice, cassava, maize, millet, sorghum, sweet potato and groundnut, which are mostly produced by smallholders with land holdings averaging 0.5-2.0 hectares.²¹ Rice is the most important crop (cultivated by nearly 85 per cent of farmers). Dependence on rice, both in terms of GDP as well as rice being a staple food, has led to discussion about whether Sierra Leoneans should invest in other crops as well, to ensure food security.²² Food security is key issue for Sierra Leone, as on average food accounts for 63 per cent of total household expenditure. Moreover, borrowing money to buy food is common – 52 per cent of households have found themselves in this position.²³

Livestock numbers (mainly cattle, sheep and goats) were severely reduced during the civil war. However, numbers have increased considerably since then and particularly since 2009. In 2010, the cattle, sheep and goat populations were estimated at 517,000, 682,000 and 803,000 heads respectively – more than double the headcount of 1995.²⁴ Most of the livestock is owned by households in the Northern Province.

Sierra Leone has very fertile soil, but the country is dealing with several challenges in the agricultural sector. Lack of efficient management practices, poor infrastructure, bush fires, poor access to credit for farmers, lack of enabling policies and institutions and limited information and research are among the main problems for the Sierra Leonean government and people.²⁵

3.3. Mining

Mining is currently Sierra Leone’s second most important sector after agriculture, both for employment and income generation, with estimates as high as 300,000 for people directly employed in the sector.²⁶ Sierra Leone’s primary mineral resources are diamonds, rutile, bauxite, gold and iron ore. According to the Sierra Leone Embassy in the US, the mineral sector in Sierra Leone comprises three sub-sectors: a) large-scale production of non-precious minerals such as bauxite; b) large-scale production of precious minerals, mainly diamonds; and c) artisanal and small-scale production of precious minerals – also mainly diamonds, and to a much lesser extent, gold.²⁷ Large-scale mining operations in Sierra Leone are all foreign-owned.

The mining sector is of importance to the Sierra Leonean economy. Before the civil war, which had a particularly heavy impact on exploration activities, it was a major contributor to GDP (20 per cent) and

²⁰ Food and Agriculture Organization (FAO), Country profile – Sierra Leone, <<http://www.fao.org/ag/AGP/AGPC/doc/Counprof/SierraLeone/SierraLeone.htm>> (11 August 2015).

²¹ Ibid.

²² Africa Renewal Online, “Sierra Leone: nursing agriculture back to health,” <<http://www.un.org/africarenewal/magazine/special-edition-agriculture-2014/sierra-leone-nursing-agriculture-back-health>> (11 August 2015).

²³ UN World Food Programme Sierra Leone Market Component of Cash & Voucher Feasibility Study, 2013, <<http://documents.wfp.org/stellent/groups/public/documents/ena/wfp259077.pdf>> (11 August 2015).

²⁴ Food and Agriculture Organization (FAO), Country profile – Sierra Leone, <<http://www.fao.org/ag/AGP/AGPC/doc/Counprof/SierraLeone/SierraLeone.htm>> (11 August 2015).

²⁵ Ibid.

²⁶ World Bank Sustainable Development Unit West Africa & Environment Department, 2008, Sierra Leone Mining Sector Reform. A Strategic Environmental and Social Assessment, p. X.

²⁷ Sierra Leone Embassy in Washington DC, USA, website, Mineral Sector Overview, <<http://embassyofsierraleone.net/node/79>> (11 August 2015).

exports (90 per cent). However, it has been said that, “the mining sector has played an instrumental role in Sierra Leone’s nascent economic recovery. In four of the last five years, the rate of growth recorded in the mining sector has exceeded that in the remainder of the economy.”²⁸ For example, its contribution to tax revenues was US\$ 7 million in 2004.²⁹ According to a 2011 Extractive Industries Transparency Initiative (EITI) report, revenues from the oil, gas and mining sector are growing fast – from US\$ 7.5 million in 2010 to US\$ 27million in 2011. However, in 2011, this was still less than 1 per cent of GDP. The report states that, “though still small, revenues from oil, gas and mining are forecast to grow to up to 17 per cent of GDP by 2020”³⁰ – in line with current Ministry of Mines and Natural Resources estimates that put total revenue of the mining sector (excluding the artisanal sector) at US\$ 91 million (1 May 2014).³¹ The Ebola outbreak, however, impacted this, as the World Bank notes: “Before the outbreak of Ebola, GDP growth in 2014 remained linked to iron ore export, as international iron ore prices (of about US\$ 100/ton) started to fall. This indicated that without greater domestic revenue mobilization, revenue in 2015 would dwindle against targets for expected GDP growth.”³²

The sector faces several other challenges as well. The World Bank notes that: “Ensuring that Sierra Leone’s mineral wealth is sustainably utilized and supports national economic and social development without impairing environmental quality and preserving inter-generational equity is a major challenge.”³³ The largest issues concern: land and crop compensation and relocation; mine employment; infrastructure; blasting effects; child labour (mainly in artisanal mining sector); deforestation and soil degradation; sanitation and water pollution; community development and participation; and land reclamation. The existing regulatory framework insufficiently addresses these issues due to lack of specificity, inconsistencies in laws, poorly defined responsibilities, weak or non-existent implementation of laws and regulations. Additionally, monitoring of company performance is more often done by (I)NGOs than the government itself³⁴ – SOMO’s 2015 *African Minerals in Sierra Leone* report is a good case in point.

3.4. Fisheries

According to the FAO, “Sierra Leone has abundant water resources, with huge growth potentials in fisheries. There are nine major rivers with catchment areas varying from 720 km² (Peninsular) to 14140 km² (Sewa). The fishery industry consists of artisanal, industrial and inland fisheries, and aquaculture. Artisanal fisheries operate in estuaries and coastal waters extending from the shoreline to a depth of 15-45 metres. It is a significant source of employment, rural income, and the largest single source of protein for the majority of Sierra Leoneans. Industrial fisheries operate in the open deep waters and are highly capital intensive and foreign-dominated, but constitute the mainstay for revenue generation from fisheries. Inland fisheries and aquaculture operate in rivers, lakes, floodplains and swamps. The fishery sub-sector contributed to about 7 per cent of the agricultural GDP in 2010.”³⁵ Although the country has very productive coastal waters, it is losing an estimated

²⁸ Ibid.

²⁹ World Bank Sustainable Development Unit West Africa & Environment Department, Ibid, p. 3.

³⁰ EITI, press release, “Big jump in revenues from Sierra Leone’s extractives sector,” <<http://eiti.org/news/big-jump-revenues-sierra-leone-extractives-sector>> (11 August 2015).

³¹ Government of Sierra Leone website, Online Repository, <<http://sierraleone.revenuesystems.org/login/auth>> (11 August 2015).

³² World Bank, Sierra Leone Overview, <<http://www.worldbank.org/en/country/sierraleone/overview>> (3 August 2015).

³³ World Bank Sustainable Development Unit West Africa & Environment Department, 2008, Sierra Leone Mining Sector Reform. A Strategic Environmental and Social Assessment, p. 8

³⁴ Ibid, p. 31.

³⁵ Food and Agriculture Organization (FAO), Country profile – Sierra Leone,

US\$ 29 million every year to illegal fishing vessels. Many of them discard the majority of their catch, “forcing artisanal fishermen further out to sea, compromising their safety, livelihood and food security”.³⁶

<<http://www.fao.org/ag/AGP/AGPC/doc/Counprof/SierraLeone/SierraLeone.htm>> (11 August 2015).

³⁶ New Agriculturalist, “Country Profile – Sierra Leone,” <<http://www.new-ag.info/en/country/profile.php?a=998>> (18 August 2014)

4. Major corporate players in important sectors




The table below provides a list of important companies in the three selected sectors: agriculture, extractives and fisheries.³⁷ Please note that this list is not exhaustive.

Logo	Company name	Country of origin	Sector	Key information
	Socfin Agricultural Company Sierra Leone Ltd. (Socfin SL, part of the SocFin Group)	France	Agriculture	Activities (local): rubber and oil palm plantations Revenue (global): Profit (global): Employment (global/local): 1,938, of which 189 are "long term jobs" ³⁸
	Addax Bioenergy (part of Addax and Oryx Group (AOG))	Switzerland	Agriculture	Activities (local): sugarcane for ethanol production Revenue (global): Profit (global): Employment (global/local): 1,444 ³⁹
	London Mining	UK	Mining	Activities (local): iron ore mining Revenue (global): US\$ 299 million Profit (global): US\$ 22.6 million Employment (global): 1,450
	Horse Fishing Company	Sierra Leone	Fishing	Activities (local): fishing Revenue (global): Profit (global): Employment (global/local):
	Vimetco	Netherlands	Mining	Activities (local): bauxite mining Revenue (global): US\$ 2.2 billion Profit (global): -US\$ 150 million Employment (global/local):

³⁷ Data sources include: Orbis corporate databases and annual reports from the companies' websites.

³⁸ *Op cit* note 4

³⁹ *Op cit* note 2, p. 21

	Sierra Rutile Ltd	Sierra Leone	Mining	Activities (local): rutile mining Revenue (global): \$123M Profit (global): \$10M Employment (global): 1517
	African Minerals	UK	Mining	Activities (local): iron ore mining Revenue (global): \$869M Profit (global): -\$69 Employment (global): 3894
	Koidu Holdings		Mining	Activities (local): kimberlite diamonds mining Revenue (global): Profit (global): Employment (global/local):