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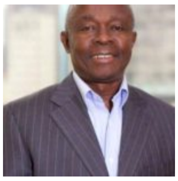

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Published on: 9 Dec 2013

Countries: Sierra Leone

Research themes: State

Sustainable development and iron ore production in Sierra Leone: The next 50 years

West Africa is being described as iron ore's new frontier, with deposits that could lead the region to account for about 10% of the world's supply. Indeed, if current plans materialise and world demand remains firm, the region will be exporting at least 500 million tons per annum in the next five to seven years, yielding considerable revenues to governments for development. The multiplier effects will go well beyond the US$1.5 billion from royalties plus other fiscal gains that such exports will yield for the region, and Sierra Leone is set to get a fair share of this windfall.

In the past, Sierra Leone has adopted a mining strategy that focused on maximising government revenues from mineral extraction; unfortunately, this largely ignored the other potential gains and the reality of how revenues that do flow in are eventually managed. This time around, the government's stated objective is to obtain optimal benefits from the mining industry, to include both revenues and other contributions to the sustainable development of the country.

One of the ways in which Sierra Leone could secure the optimal contribution of iron ore production would be to locate sections of the entire value chain within the country; from mining the ore to processing and marketing the final product. In short, a deliberate effort should be made to identify possibilities for the country's maximum participation in the links of the value chain. To do so, the country must prepare to take over these links, not so much by legislation as by being competitive. A policy on local content must emphasise strengthening local businesses to be more competitive when bidding for contracts, rather than legislating percentages of local content in the operations of mining companies. Furthermore, there must be an identification of those links that may be out of reach now, but which with adequate preparations now, can be taken over later when the capacities are developed.

Related to the above is the importance of constant coherence between the government's development strategy and the activities of the mining enterprise. In the past, such considerations hardly featured in the agreements signed with the mining company. To illustrate, all mining companies need electricity, but each company generates its own supply. There was no attempt to synchronise supply of national energy needs with that of large private sector plans and requirements. Yet such an effort would go a long way to develop dependable power supply in the country. Recent moves at the sector levels power supply in the country. Recent moves at the sector levels and in the current Agenda for Prosperity are designed to correct this anomaly.

Second, the country will have to negotiate better, more favourable agreements with mining companies. In the past, poor preparations preceding the negotiation of an agreement, improper representation at the negotiating table, poor coordination among institutions dealing with different aspects of the mining operations, corruption, weak legislation, and a focus on short-term results have diluted the country's gains from mineral exploitation. This time around, the agreements should reflect better the aspirations of the country's goals. More specifically, the provisions in the agreements that relate to five areas would require greater precision. The first such area is **employment**: the objective is to maximise the recruitment of Sierra Leoneans, rather than expatriates, throughout the life of the mine, not only in the visible activities, but also equally in the invisible support services. Second is **infrastructure**: adequate preparations by the relevant government authorities are needed to determine the ideal configuration for all infrastructure development before the commencement of negotiations. Third is **environmental consideration**s: the regulations for the Environmental Protection Act of 2008 must be dynamic and allow the incorporation of modern techniques and practices as they evolve. Fourth is **community participation**: A system should be put in place for continuous dialogue between the company and local communities, regarding corporate socially responsible actions and for the use of community-designated funds. Finally, special attention must go to managing **revenue flows both in terms of monitoring what the country receives and in ensuring prudent use once received**.

The next, and third, policy change is for the Sierra Leone government to re-evaluate its approach to attracting investors. As a post-conflict country riddled with weak institutions and beset with rumours of widespread corruption, Sierra Leone – and particularly its mining industry— attracts high-risk investors and bottom feeders. Indeed, elsewhere in Africa, under pressure for quick resource flows, governments inevitably accept the high risk-takers and investors. In fairness to the government, the choice was often a cruel one; await the known world class players who take their time to come in and with no guarantees, or accept the promises of immediate mine development, revenues flows, and of employment opportunities that these unknowns offer. Faced with the political pressures to show immediate results, it may be understandable to go for the quick wins of such companies.

Following this pattern, in Sierra Leone the companies licensed to mine the iron ore deposits were not major players in the iron ore industry, but succeeded in obtaining very generous provisions in their initial agreements. Operations have commenced, but already one of them has failed to meet performance obligations with severe repercussions for the country's development plans. One wonders whether the setbacks being experienced in terms of labour and community relations are due to lack of experience. The big question then is what changes should be made to attract the well-established companies?

One area for policy change relates to the regional collaboration. The opportunities are immense. Guinea, Liberia and Sierra Leone produce large quantities of iron ore but operate separately, missing huge opportunities for joint planning and implementation that would benefit from scale and harmonisation. The Manor River Union must be reinforced with stronger leadership and capacities.

Finally, there are known afflictions related to natural resources exploitation that need to be planned for. Amongst these is what is known as the Dutch disease. Furthermore, with weak institutions and poor systems of checks and balances, rich natural resources will tend to enrich a few decision-makers and their allies. The solution will involve transparency, information-sharing and the creation of special arrangements to manage the increased revenues and avoid abuse The recent budget speech announcing the setting up of the Transformation Development Funds is a major step forward. Indeed, inappropriate management of the expected windfalls from iron ore operations could produce negative effects that would scar the country's socio-political landscape, allow state-capture, and lead to missed opportunities for rapid transformation to middle income status.

Overall, a clear lesson that emerges is **the importance of careful planning and preparation by the national authorities in order to glean the maximum contribution from the mineral resource to long-term sustainable development of the country.** There should be a concerted attempt to avoid doing business as usual. The mining sector cannot be left on autopilot; instead it must be driven by, put at the forefront of, and be integrated with the government's transformation agenda.

Further reading

M'cleod, H (2012), “”Sustainable development and iron ore production in Sierra Leone: The next fifty years””, in O Johnson (ed.), Economic Challenges and Policy Issues in Early 21st Century Sierra Leone, London: International Growth Centre.