

**PRESIDENTIAL WORKSHOP ON MINERALS SECTOR REFORM**  
**7 JULY 2008**  
**STATE HOUSE**  
**FREETOWN, SIERRA LEONE**

**KEYNOTE ADDRESS BY HIS EXCELLENCY, DR. ERNEST BAI KOROMA (President of the Republic of Sierra Leone)**

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His Excellency stated that the main objective of the workshop was to discuss reform of Sierra Leone's minerals sector. He reminded the audience of his statement at his inauguration that, after the successful and peaceful transition from one government to another, a new dawn had been ushered in with the opportunity to lift Sierra Leoneans from poverty and make significant improvement in their lives.

**Minerals Sector as a Driver of Economic Growth**

He pointed out that shortly after the inauguration, at a retreat in Bumbuna, an Agenda for Change was developed in which four sectors were identified as the drivers of economic growth: agriculture, fisheries, tourism and mining. This Presidential Workshop on Minerals Sector Reform was part of this drive to mobilise all resources needed for achieving the country's national development goals and for ensuring that the state and the people of Sierra Leone derive maximum benefit from the utilisation of their mineral resources.

He pointed out that as a driver of economic growth, the minerals sector should be capable of generating significant multiplier effect on the rest of the economy through the provision of direct and indirect employment opportunities as well as by stimulating investments in businesses that supply the sector.

The President said that, in the current era of rising commodity prices, restructuring of the minerals sector is urgent as it must help combat the pressures of poverty. He stressed that the exploitation of minerals should not merely be viewed in terms of its revenue and export earning potential, but equally in terms of other spill-over effects such as technology transfer, local infrastructure development, employment, and linkages with the rest of the economy.

**Wide Range of Reforms Needed**

He pointed out that work on reforming and restructuring the minerals sector had already started by the initiation of the process of reviewing all mineral rights in Sierra Leone, with the objective of securing maximum gains from current mining activities, particularly, large-scale mining. However, he said that the review process cannot by itself deliver all the expected results. It must therefore be combined with an examination of the institutional changes required to facilitate investment from responsible, reputable companies and ensure that government is equipped to better regulate the sector.

**Role of Government in Facilitating Investment**

He stressed that while "Sierra Leone is open for business," Sierra Leoneans must be cognizant about the competitive nature of the global economy and be aware that it is competing with other countries in attracting investment and consequently, the cost of doing business in one country may determine when and where a mining company decides to invest. He therefore advised participants to examine factors such as the current regulatory system which influences such transactions costs. He challenged participants to approach the task from all angles, including the perspective of the mining companies.

The government's role was to improve the business environment to attract responsible investors and examine ways of creating and enforcing policies, laws and regulations that shape business activities and ensure that they are applied consistently, transparently and predictably to remove all doubts in the minds of these investors.

### **The Sector's Obligations to the Country**

The President encouraged the audience to reflect on how government could obtain greater benefit from the minerals sector - especially since none of the mining companies currently operating in Sierra Leone is reporting a profit, hence there is currently no corporate tax revenue being collected. Consequently, government must act as an enabling state within which mining companies can operate productively and profitably and ensure that companies meet the obligations in obtaining licences, adherence to regulations and the payment of taxes and fees. The government must also ensure that holders of other licences, such as exporters and traders, also meet their license obligations and pay their dues to government.

Hon. Ernest Bai Koroma cautioned against economic growth "at all cost". He said that only investment from responsible and reputable businesses whose activities do not cause irreparable environmental damage or social unrest must be encouraged. Those investors whose business practices are not in the best interest of Sierra Leone or who are unlikely to advance into mining beyond prospecting and exploration must not be tolerated. In this respect, he mentioned the deplorable statistics in which out of a total of 130 non-artisanal licences issued, only 10 large-scale companies actually mine in Sierra Leone.

He advised participants to use a wide consultative approach and increased transparency in decision-making. He presented the case of Venezuela which was forced to withdraw from the Kimberley process and will therefore not be able to export rough diamonds, because it overlooked the voice of NGOs. He noted the presence of civil society organisations at the workshop.

### **Benefits for the People and the Community**

He highlighted that a critical issue in the development of the minerals sector is the realisation of benefits by all communities in Sierra Leone, especially those in the mining areas. He referred to the Jenkins-Johnston report which brought to light the delicate relationship that exists between the government, mining companies and the community, so that while the growth of the sector will create direct and indirect employment opportunities, a proportion of government revenue, through mechanisms such as the Diamond Area Community Development Fund (DACDF) must be utilized for community development initiatives. Mining companies must also be encouraged to make their own investment in their areas of operation, through infrastructure, health clinics and schools, for example.

### **Reforming the Ministry of Mineral Resources**

Hon. Ernest Bai Koroma recommended measures that should be taken for the vision of the mining sector as an engine for growth: a change in institutional arrangements, and a change in the mindset in the sector's management. He insisted that the Ministry of Mineral Resources needs to take the lead in developing and implementing policies that manage a key economic sector, and not be just an organisation that administers processes.

Finally, he emphasised the need for skilled managers, engineers and geologists in the public sector – difficult to achieve, when the private sector is able to offer higher salaries than government. One suggested solution to this problem is the example of new and better institutional arrangements that many African countries have adopted to manage their minerals sector.