

Sierra Leone

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Sierra Leone	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	US Dept of State Money Laundering assessment Weakness in Government Legislation to combat Money Laundering
<p>Major Investment Areas:</p> <p>Agriculture - products: rice, coffee, cocoa, palm kernels, palm oil, peanuts; poultry, cattle, sheep, pigs; fish</p> <p>Industries: diamond mining; small-scale manufacturing (beverages, textiles, cigarettes, footwear); petroleum refining, small commercial ship repair</p> <p>Exports - commodities: diamonds, rutile, cocoa, coffee, fish</p> <p>Exports - partners: China 50.5%, Belgium 18%, Japan 7.6%, Turkey 4.8% (2012)</p> <p>Imports - commodities: foodstuffs, machinery and equipment, fuels and lubricants, chemicals</p> <p>Imports - partners: China 16.3%, India 10.1%, South Africa 7.1%, US 6.6%, UK 6.6%, Cote d'Ivoire 4.6%, Belgium 4.5% (2012)</p>	

Investment Restrictions:

There are no known economic or industrial policies or practices that have discriminatory effects on foreign investors. There are also no formal obstacles on foreign ownership or control, but there are restrictions in one business sector. The historical exploitation of the country's vast mineral wealth has led to legislated restrictions to protect small scale local artisan miners. Investments in mining of less than \$500,000 require a Sierra Leonean holding of 25 percent.

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Section 1 - Background

Democracy is slowly being reestablished after the civil war from 1991 to 2002 that resulted in tens of thousands of deaths and the displacement of more than 2 million people (about a third of the population). The military, which took over full responsibility for security following the departure of UN peacekeepers at the end of 2005, is increasingly developing as a guarantor of the country's stability. The armed forces remained on the sideline during the 2007 and 2012 national elections but still look to the UN Integrated Peacebuilding Office in Sierra Leone (UNIPSIL) - a civilian UN mission - to support efforts to consolidate peace. The new government's priorities include furthering development, creating jobs, and stamping out endemic corruption.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Sierra Leone is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Sierra Leone was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Sierra Leone was deemed Compliant for 2 and Largely Compliant for 1 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

Eighth and ninth follow-up reports of Sierra Leone

The eighth follow-up report of Sierra Leone noted that a permanent Director has been appointed for the FIU. However, the country was yet to begin effective implementation of the AML/CFT Act that was passed in February 2012. Sierra Leone had not ratified the Palermo Convention, established mechanisms and procedures for the implementation of UNSCRs 1267 and 1373, implemented its National AML/CFT Strategy, or established a national AML/CFT Inter-Ministerial Committee. The Plenary expressed concerns about the pace of implementation of the AML/CFT Act and the persistence of certain key deficiencies in the country's AML/CFT system and directed Sierra Leone to urgently engage with the GIABA Secretariat for support in order

to address these deficiencies. During the second half of the year the country placed the regulations for the implementation of UNSCR 1267 and 1373 and Regulations on Terrorism Prevention (Freezing of International Terrorists Funds and other Related Measures) 2013 before Parliament for approval. Sierra Leone issued the Revised Guidelines for Financial Institutions on the Prevention of Money Laundering and Terrorist Financing and prepared AML/CFT Guidelines for DNFBPs. The FIU analysed STRs and disseminated intelligence reports to law enforcement agencies for further action.

The FIU secured premises for its operations and recruited additional staff to strengthen its capacity. The AML/CFT analytical software and hardware provided by GIABA were installed during the period under review. The Plenary noted that Sierra Leone needs to ensure that the FIU is fully operational; pass regulations for the implementation of UNSCR 1267 and 1373; ratify the Palermo Convention; train supervisors on the consolidated bank examination manual; establish the Inter-Ministerial Committee and ensure its effective functioning; and improve coordination among national competent authorities. The Plenary commended Sierra Leone for making progress and encouraged the country to sustain the pace. Sierra

Leone was retained on Enhanced Follow-up and directed to submit its tenth follow-up report in May 2014.

GIABA Annual Report 2013

Prevalence of Predicate Crimes

Corruption is still a serious challenge in Sierra Leone, and it is not certain that management of the expanding economic and financial fortune will be transparent, accountable and equitable. The country was ranked 119th out of 177 countries on the Transparency International CPI in 2013, up from 123rd position. While this is an improvement, the ranking is still very low for a country that aspires to tackle poverty. Of the 187 countries surveyed, Sierra Leone is 177th on the human development index, and there are formidable challenges of achieving the MDGs in two years to the target 2015.

Nonetheless, the Anti-Corruption Commission has shown in 2013 that it can bite hard. Twenty-six court cases, mainly against public officials, including police officers and civil servants, as well as individuals indicted for the misuse of international donor funds, were fi by the Commission within the year. The Commission also started the prosecution of several suspects for a serious case of bank fraud involving the Sierra Leone Shipping Authority, the National Revenue Authority and some commercial banks, with an estimated value of about \$9.3 million. Apart from corruption, the country faces other serious crimes that can undermine the development promises of its burgeoning financial sector.

In its Country Report to GIABA, Sierra Leone identified the following ML/TF predicate crimes as prevalent in 2013: drug trafficking, corruption, tax fraud, smuggling of precious stones and metals, other investments, bank fraud, and document forgery.

According to the INCSR (2013) report, smuggling of pharmaceuticals, foodstuffs, gold and diamonds occurs across porous land borders. The country's inadequately manned borders with Guinea and Liberia make Sierra Leone highly vulnerable to the influx of criminals from across the region to collude with domestic criminals and engage in the illegal trade of diamonds, arms, illicit drugs and timber. Since the landing of the infamous 'cocaine plane' at Lungi Airport in July 2008 with 600 kg of cocaine, several automatic rifles and 339 rounds of ammunition on board, Sierra Leone has been identified as a possible growing hub for drug transshipment from Latin America to Europe.

The cases of corruption currently being prosecuted by the Anti-Corruption Commission also indicate that corruption is a prominent crime. It is also a limiting factor in the fight against financial crimes as the bribing of relevant law enforcement agents is likely to block basic scrutiny and investigations.

AML/CFT Situation

Sierra Leone's progress in the implementation of AML/CFT measures has been noteworthy. With assistance from the GIABA Secretariat, the country is making serious efforts to addressing the following gaps in line with the directives of GIABA Plenary in May 2013.

- i. Development of a mechanism to implement UNSCRs 1267 and 1373 and their succession resolutions;
- ii. Adoption of an effective supervisory framework for relevant reporting entities; and
- iii. Adequate resourcing of the FIU to facilitate its effective functioning.

Above all, Sierra Leone has shown a high degree of commitment to complying fully with international AML/CFT standards. The country has been given up to May 2014 to report further progress made towards fully addressing the remaining deficiencies. A high-level advocacy mission led by the Director General of GIABA was undertaken in January 2013 to engage political authorities in the country on the implementation of the AML/CFT Act 2012. The FIU of Sierra Leone received 114,728 CTRS and 11 STRs in 2013. Seven of the analysed STRs were sent to law enforcement authorities, but there was no evidence of further investigation, prosecution or conviction.

Conclusion

Sierra Leone's postwar recovery and political stability have created the enabling conditions for economic growth in the country. The noticeable growth and the realization of the vision of becoming a medium- income economy in the near future are predicated on the continuance of sound political and economic governance.

However, the prevalence of corruption is an ominous threat to the fulfillment of that promise. Also, the emerging activities of internationally organized criminals should be a warning of the dangers posed to financial stability and the sustainability of the country's hard-earned economic growth.

The authorities in Sierra Leone, therefore, have the obligation to protect the unprecedented economic and financial gains the country has made in the last two years. To do so, they should sustain the current momentum and as a priority endeavour to address the country's remaining strategic deficiencies in its AML/CFT system.

The country should also further strengthen the capacity of its relevant agencies to investigate and prosecute financial crimes, including ML/TF. Securing convictions for such crimes and confiscating the assets of convicted criminals should also be areas of priority in order to deter would-be criminals.

US Department of State Money Laundering assessment (INCSR)

Sierra Leone was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Sierra Leone is not a regional financial center. Loose oversight of financial institutions, weak regulations, pervasive corruption, and lack of financial crimes enforcement has made the country vulnerable to money laundering. Due in part to its large seaport, Sierra Leone is an attractive trans-sea shipment point for illegal drugs and other forms of illegal commerce. Smuggling of pharmaceuticals, foodstuffs, gold, and diamonds occurs across porous land borders. There is little evidence drug smuggling is a significant source of laundered money. The small-scale artisanal diamond mining industry is exploited by domestic groups and individuals rather than by transnational cartels. The trade in stolen automobiles, many originating in the United States, continues to be a concern.

Most financial transactions, including currency exchanges and remittances, are unregulated and vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to the financing of terrorism. After making limited progress in this area in 2014, Sierra Leone shifted its attention and resources in 2015 almost entirely to ending the Ebola outbreak. As a result, the country's AML/CFT controls remain underdeveloped and underfunded.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15: January - October, 2015

Number of CTRs received and time frame: 92,757: January - September, 2015

STR covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January - October, 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sierra Leone made progress in 2014, when the government began work on a national AML/CFT risk assessment. However, the Ebola outbreak in 2014 caused a major shift in the government's attention, priorities, and resources. This has impeded progress on AML/CFT efforts, as it has affected virtually all government initiatives, with new competition for already scarce resources and a complete stop to field activities for the national risk assessment. Despite the significant challenges presented by the Ebola outbreak, Sierra Leone has made some additional progress. The Parliament has enacted regulations for the implementation of UNSCRs 1267 and 1373, through the Terrorism Prevention Regulation 2013, passed late in 2014.

In 2015, Sierra Leone dedicated additional resources to the Financial Intelligence Unit (FIU), notwithstanding the Ebola crisis. The FIU anticipates completing its national risk assessment by July 2016 and expects the government will then adopt a comprehensive national strategy addressing AML/CFT issues. The FIU has taken some steps to ensure that financial institutions are in compliance with AML/CFT laws, including through onsite examinations of some commercial banks. The government has also described plans to introduce AML/CFT requirements for some designated non-financial businesses and professions (DNFBPs). However, the FIU still lacks adequate staff and resources, with only 28 employees. While Sierra Leone's Directorate of Public Prosecution has given FIU personnel increased authority to prosecute certain crimes, the FIU cannot meaningfully act on that authority because its legal staff consists of only one attorney.

The country's Transnational Organized Crime Unit (TOCU) is now fully operational with 53 officers from 12 law enforcement agencies, and has investigated 84 criminal cases, resulting in the prosecution of 59 individuals for involvement in organized crime. In September 2015, Sierra Leone's Ministry of Internal Affairs broke ground on the construction of the TOCU's new headquarters building. The TOCU is authorized to undertake complete investigations and effect arrests, but general policing capacity, available technical and physical resources, and understanding of the use of financial investigations and intelligence remain low.

There is a low rate of compliance throughout the financial sector, particularly among the commercial banks headquartered in Nigeria. As it drafts a national action plan for AML/CFT issues, the FIU is considering ways to require financial institutions to identify and monitor politically exposed persons (PEPs) and to more effectively identify suspicious transactions. By relaxing its registration requirements for informal money changers, the Bank of Sierra Leone has effectively encouraged those entities to invite new regulatory oversight, which has strengthened the regulation of foreign currency transactions.

The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers. The lack of expertise also impedes the investigation of possible abuses related to informal and unregulated financial activities, such as hawala networks, and possible ties between money laundering in Sierra Leone and Lebanese traders. Corruption is a related concern.

Sierra Leone should adopt additional AML/CFT laws and regulations to fill gaps in the current regulatory scheme, and should take steps to strengthen AML/CFT enforcement. The country should complete its national risk assessment and adopt a national AML/CFT action plan as soon as possible. As part of that plan, Sierra Leone should bolster its efforts to counter smuggling, tighten border controls, and adequately supervise those sectors most vulnerable to money laundering. The government should also fully operationalize the FIU and provide additional training for its staff. It should institute effective supervision of both DNFBPs and non-profit organizations; work to ensure foreign exchange dealers implement customer due diligence measures and comply with record-keeping requirements; and criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act.

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

According to the US State Department, Sierra Leone does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

States Party to United Nations Transnational Organised Crime Convention - States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Sierra Leone is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Sierra Leone is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012:

With its porous borders, poorly patrolled coastline, weak infrastructure, and deep poverty, Sierra Leone presents a potentially attractive transshipment point for illegal drugs. The government's efforts to combat the drug flow in 2011 continued to be hampered by resource constraints and limited operational sophistication. Sierra Leone's limited enforcement capacity, inadequate drug treatment and rehabilitation programs, and corruption often impede its counternarcotics efforts.

Cocaine is the main drug transiting Sierra Leone. It moves through the country's unguarded and unprotected borders, both land and sea, from South America to Europe via intermediary points such as Guinea and Guinea-Bissau. Small amounts of Southeast Asian heroin are also suspected of being shipped through Sierra Leone on direct commercial flights from East Africa. Sierra Leone's endemic corruption certainly facilitates trafficking, as government officials and police and intelligence officers accept bribes, to turn a blind eye on trafficking, or even engage in trafficking drugs themselves. As a matter of policy, however, the government of Sierra Leone does not encourage or facilitate the illicit production or distribution of narcotics or launder proceeds from illegal drug transactions. There is no evidence that any senior government official engages in, encourages, or facilitates the illicit production or distribution of drugs. The only drug produced in Sierra Leone is marijuana. It is widely cultivated and consumed locally, and is also transported to surrounding countries and to Europe. Increased cannabis cultivation has given rise to food security concerns as farmers substitute it for subsistence farming. Diversion of precursor chemicals is not a problem in Sierra Leone.

The National Drug Control Act of 2008 brought Sierra Leone's laws into conformity with international conventions and norms. It defined stricter penalties for all drug-related charges, contained mutual legal assistance provisions, and authorized a budget appropriation to support prevention and control activities. Efforts to strengthen the law began in 2010, but as of 2011 a revised law had not yet been passed. Sierra Leone is a party to all of the UN Drug Conventions and the 1972 Protocol. The 1935 Extradition Treaty between the United States and Great Britain remains in force between the United States and Sierra Leone. Sierra Leone is a party to the UN Convention against Corruption. Though Sierra Leone signed the UN Convention against Transnational Organized Crime in 2001, it has yet to ratify it. The 2009 Maritime Counter Drug Bilateral Agreement promotes cooperation between the U.S. and Sierra Leone for the purpose of suppressing illicit transnational maritime activity, including narcotics trafficking.

The 2008 Drug Control Act also established a National Drug Law Enforcement Agency (NDLEA) to serve as the focal point on policy issues and investigations. However, with limited staff and virtually no budget, it is a hollow organization with no real capacity and no demonstrated successes. The vast majority of drug interdiction activity is carried out by the Transnational Organized Crime Unit (TOCU), an elite inter-agency unit supported by the UN Office of Drugs and Crime (UNODC) and other international donors. Donor agencies have helped TOCU increase its capacity significantly since TOCU's establishment. However, TOCU still needs continued training as well as improved forensic capabilities, including a dedicated

forensic laboratory. Sierra Leone's plans to create a special court dedicated to organized crime and narcotics issues with specially trained judges and prosecutors, supported by UNODC, has not yet been implemented.

During the period October 2009 to June 2011, TOCU conducted 172 investigations, which led to 114 court cases; the remaining cases were closed without any prosecutions. In the first half of 2011, TOCU conducted 45 investigations which led to 32 court cases. The vast majority of these cases were for cultivating, selling, and trafficking in marijuana. There were also several charges for possession and sale of cocaine. TOCU also investigated cases of suspected human trafficking and 419 financial scams.

U.S.-supported interdiction efforts were focused on the Joint Maritime Committee a kind of coast guard which conducts patrols with three small cutters, donated by the U.S. Coast Guard and a larger Shanghai-class patrol boat donated by the Chinese government. In 2011, U.S. Africa Command (AFRICOM) funded significant infrastructure improvements at TOCU, including an automated ship identification system, two radars, and improved Internet access. In addition, in 2011, the African Maritime Law Enforcement Partnership, a program of the Africa Partnership Station administered by AFRICOM, conducted joint Sierra Leone/U. S. Coast Guard training, surveillance, and law enforcement operations. These operations included the Coast Guard Cutter "FORWARD" embarking a law enforcement team from Sierra Leone to locate and board vessels suspected of illegally trafficking narcotics.

US State Dept Trafficking in Persons Report 2016 (introduction):

Sierra Leone is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Sierra Leone is a source and destination country for men, women, and children subjected to forced labor and sex trafficking. Victims originate largely from rural provinces and are recruited to urban and mining centers for the purposes of exploitation in prostitution, domestic servitude, and forced labor in artisanal diamond and granite mining, petty trading, portering, rock breaking, street crime, and begging. Trafficking victims may also be found in the fishing and agricultural sectors or subjected to sex trafficking or forced labor through customary practices, such as forced marriages. During the reporting period, transnational trafficking to and from Sierra Leone increased. Nationals from other countries, such as Kenya, endured domestic servitude in the country. Sierra Leonean girls were subjected to trafficking in Guinea and traffickers attempted to exploit boys and girls from Sierra Leone as "cultural dancers" in The Gambia. Sierra Leonean adults voluntarily migrate to other West African countries, including Mauritania and Guinea, as well as to the Middle East and Europe, where some experience forced labor and forced prostitution. Sierra Leonean women continued to be subjected to trafficking in Kuwait and Lebanon as in previous years. Children from neighboring West African countries have been exploited in forced begging, forced labor, and prostitution. Indian, Sri Lankan, and Chinese men have been subjected to forced labor within Sierra Leone.

The Government of Sierra Leone does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting

period, an outbreak of Ebola and its aftermath continued to severely affect the country and overwhelmed the government's resources and capacity to effectively address a variety of issues, including trafficking in persons. Trafficking in persons data collection and victim identification remained weak. The 2005 Anti-Trafficking in Persons Act (ATPA) includes sentences of only fines, which is not sufficiently stringent and not commensurate with penalties for other serious crimes, such as rape. However, the government's national anti-trafficking taskforce, which resumed activities in May 2015, approved a national action plan on trafficking in persons and began implementing a monitoring and reporting framework and national referral mechanisms for protecting and assisting trafficking victims. The government also finalized a trafficking in persons database and began reviewing the ATPA, with a view to raising penalties for trafficking offenses. During the reporting period, the government prosecuted six trafficking cases. The government also met with representatives of an international organization and the Government of Kuwait to discuss procedures for repatriating 40 Sierra Leonean women who had been subjected to trafficking in previous years to Kuwait and Lebanon, and repatriated nine women subjected to forced labor in Kuwait during the last reporting period.

US State Dept Terrorism Report

No report available

International Sanctions

Sanctions and Embargos are no longer in place although the US has sanctions in force on the trading of rough diamonds, which could be relevant for Sierra Leone.

For further information, please visit the following link: -

<http://www.ustreas.gov/offices/enforcement/ofac/programs/diamonds/diamond.pdf>

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	30
World Governance Indicator – Control of Corruption	20

Corruption and Government Transparency - Report by US State Department

Sierra Leone signed the U.N. Convention against Corruption in December 2003 and ratified it in September 2004. Sierra Leone established its independent Anti-Corruption Commission (ACC) in 2000 and significantly strengthened it in the Anti-Corruption Act of 2008. The Anti-Corruption Act is not used disproportionately against foreigners. The ACC is charged with investigating cases and educating the public to reduce corruption in its many forms. The ACC has many pending investigations, and several indictments. Joseph Kamara, the current ACC Commissioner, has widened the scope of the office and in 2012 pursued 21 cases, the highest number of cases in the ACC's history. Kamara's actions indicate both that the ACC seems determined to continue to pursue corruption, but also confirms that there are corrupt officials at many levels of the Government. Bribes, kickbacks, extortion, and skimming remain a problem specifically in government procurement, transfers, dispute settlement, and taxation. Giving or accepting a bribe is a criminal act, both within Sierra Leone and from a local company or individual to a foreign official, and is to be prosecuted by the ACC. Penalties vary based on the magnitude of the bribe.

Sierra Leone was certified as being an Extractive Industries Transparency Initiative (EITI) compliant country in April 2014.

Sierra Leone's score on Transparency International's 2013 "Corruption Perception Index" has improved for the fifth year to a score of 30, ranking Sierra Leone 119 out of 177 countries globally. This year, Sierra Leone passed five of the six Ruling Justly indicator criteria for Millennium Challenge Corporation Compact eligibility and 11 of 20 overall indicators. Along with TI, the Campaign for Good Governance and Transparency Alert are other corruption watchdog organizations in Sierra Leone.

Section 3 - Economy

Sierra Leone is extremely poor and nearly half of the working-age population engages in subsistence agriculture. The country possesses substantial mineral, agricultural, and fishery resources, but it is still recovering from a civil war that destroyed most institutions before ending in the early 2000s.

In recent years economic growth has been driven by mining - particularly iron ore. The country's principal exports are iron ore, diamonds, and rutile, and the economy is vulnerable to fluctuations in international prices. Until 2014, the government had relied on external assistance to support its budget, but it was gradually becoming more independent. The Ebola outbreak of 2014 and 2015, combined with falling global commodities prices, caused a significant contraction of economic activity in all areas.

While the World Health Organization declared an end to the Ebola outbreak in Sierra Leone in November 2015, economic recovery will depend on rising commodities prices and increased efforts to diversify the sources of growth. Pervasive corruption and undeveloped human capital will continue to deter foreign investors. Sustained international donor support in the near future will partially offset these fiscal constraints.

Agriculture - products:

rice, coffee, cocoa, palm kernels, palm oil, peanuts, cashews; poultry, cattle, sheep, pigs; fish

Industries:

diamond mining; iron ore, rutile and bauxite mining; small-scale manufacturing (beverages, textiles, footwear)

Exports - commodities:

Iron ore, diamonds, rutile, cocoa, coffee, fish

Exports - partners:

China 31.3%, Belgium 27.8%, Romania 11.3%, US 7.3%, India 4% (2015)

Imports - commodities:

foodstuffs, machinery and equipment, fuels and lubricants, chemicals

Imports - partners:

China 23%, India 7.9%, US 6.4%, Netherlands 5.1% (2015)

Banking

As a small relatively poor developing country with the majority of development occurring along the Atlantic Coast, Sierra Leone has always had a small financial sector, focused primarily on government and those commercial sectors involved in international trade. During the civil conflict, the formal financial sector shrank significantly leading to Sierra Leone

effectively becoming a cash economy. Following the end of the conflict, there has been some development in the banking sector though it is still in its infancy and is principally based within Freetown. In spite of this recovery, Sierra Leone remains essentially a cash-based economy. There are only around 160,000 bank accounts in Sierra Leonean banks, of which between 65 and 70 percent are personal accounts, most of which are relatively small savings accounts. The majority of corporate accounts are held by organizations involved in international trade.

Since the end of the war in 2002, the banking sector has grown substantially. There are now a number of banks (including foreign owned) and non-bank financial institutions which are concentrated primarily in Freetown. In addition, the country is developing a micro-finance sector that is promoting small-scale business, especially in rural areas. However, the banking system is poorly developed, and regulation and supervision by the central bank remain inadequate.

Stock Exchange

The Sierra Leone Stock Exchange was launched on the 18th July 2009, but is hampered by weak regulation and supervision by the Central bank

Executive Summary

Sierra Leone is home to more than six million people and provides easy access to markets of 45 million via its membership in the Mano River Union and over 300 million in the Economic Community of West African States (ECOWAS). Sierra Leone enjoys duty-free access to large markets for certain goods through the EU's Everything But Arms Initiative and the United States' African Growth and Opportunity Act (AGOA). With English as the official language, generally favorable views of the United States, extraordinary religious tolerance, and political stability since the end of the civil war in 2002, Sierra Leone presents significant opportunities for investment and engagement.

In recent years, Sierra Leone's economy has been among the fastest-growing in sub-Saharan Africa. Following peaceful multi-party elections in 2007 and 2012, real GDP growth hit 15.2% in 2012 and 20.1% in 2013. Growth came to an abrupt halt in 2014, with the largest Ebola outbreak in history coinciding with a slump in global commodities prices, which shuttered the nation's two largest iron ore mines and left the country without critical export revenue and foreign exchange reserves. The IMF estimates that the economy contracted by 24% in 2015. Despite its plentiful natural resources, large areas of fertile land, and abundant fisheries, Sierra Leone remains largely dependent on foreign assistance. The country ranks 181st out of 188 nations on the UN Development Program's Human Development Index for 2015.

The investment climate in Sierra Leone offers certain challenges. The World Bank ranked Sierra Leone 147th among 189 countries in 2016 for the ease of doing business, identifying particular challenges in getting electricity, registering property, and trading across borders. Firms have significant difficulty accessing credit and must pay high interest rates; foreign investors generally bring capital from abroad. Corruption is endemic throughout the economy. Investments outside of Freetown require special attention to local dynamics and community needs, particularly due to the significant authority of traditional leaders, the Paramount Chiefs.

At the same time, Sierra Leone offers great opportunities. There are significant opportunities in energy (including renewables), infrastructure, agriculture, fisheries, tourism, and natural resources. The government is engaged in significant infrastructure projects, and recognizes that drawing new foreign investment requires a more supportive business environment. The government has enacted regulatory reforms to simplify the process of starting a business and to protect the rights of minority investors. In 2016, the Millennium Challenge Corporation, a U.S. government agency, will begin to implement a four-year, \$44 million threshold program to support policy reforms, build institutional capacity, and improve governance in the water and electricity sectors.

The World Health Organization declared an end to the Ebola outbreak in Sierra Leone on November 7, 2015 (and again on March 17, 2016 after a small flare-up). The country and its international partners remain vigilant against more potential cases. Sierra Leone is now implementing a National Ebola Recovery Strategy, which sets forth a 24-month plan to rebuild the health sector, strengthen social protections, and restore economic growth. President Ernest Bai Koroma is completing his second and legally mandated final term and the country is therefore looking ahead to national and local elections in early 2018. The

government seeks foreign investors who will partner on projects that will deliver both immediate and long term benefits to the Sierra Leonean economy and public.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	119 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	147 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	Not rated	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2014	\$38M	http://bea.gov/international/factsheet/factsheet.cfm?Area=434
World Bank GNI per capita	2014	\$700	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Sierra Leone has a favorable attitude toward foreign direct investment (FDI), which it sees as critical to revitalizing the country's economic growth. President Koroma's Agenda for Prosperity, a five-year roadmap to place Sierra Leone on the path to achieving middle-income status by 2035, recognizes that increasing investment will require a more supportive business environment. The Ebola outbreak placed enormous strains on the government's resources and capacities, essentially depriving the country of funds needed for infrastructure investment, but Sierra Leone sees FDI as a catalyst for the country's recovery from the outbreak.

The Ministry of Trade and Industry oversees trade policies and programs, while the Sierra Leone Investment and Export Promotion Agency (SLIEPA), established in 2008, is the

government's lead agency in implementing initiatives to stimulate exports and investments, improve the investment climate, and promote the development of small- and medium-sized enterprises. The Public Private Partnership Act 2010 established a Public Private Partnership (PPP) Unit within the Office of the President.

While the government's message is that the country is open to foreign investment, investors see many obstacles. Corruption is widely seen as endemic, affecting procurements, land rights, customs, law enforcement, judicial proceedings, and virtually all other governance and economic sectors. The government has a variety of initiatives to remove constraints on trade and improve the investment climate. Sierra Leone continues to integrate modern technologies into its mining and agricultural development strategies. In recent years Sierra Leone has constructed or rehabilitated a network of trunk and feeder roads, linking agricultural suppliers with markets and district headquarter towns. The government has also prioritized improvements to the country's trade facilitation infrastructure, including simplifying procedures at land borders and the process to clear goods at the ports. Sustained economic growth will depend on Sierra Leone's ability to diversify its economy, to tap into underutilized sectors like fisheries and agriculture, and to ensure that the country's considerable natural resources are leveraged to improve the lives of all citizens.

Other Investment Policy Reviews

The WTO conducted a trade policy review for Sierra Leone in 2014. The UN Conference on Trade and Development (UNCTAD) last conducted an investment policy review for Sierra Leone in 2009.

Laws/Regulations on Foreign Direct Investment

Sierra Leonean law generally ensures that foreign investors may compete on the same terms as domestic firms. The Investment Promotion Act 2004 protects foreign entities from discriminatory treatment. The law creates incentives and customs exemptions, provides that investors may freely repatriate proceeds and remittances, and protects against expropriation without prompt and adequate compensation. The law establishes a dispute settlement framework that allows investors to submit disputes to arbitration in accordance with the rules of procedure of the UN Commission on International Trade Laws (UNCITRAL). Export licenses are required only for certain goods and materials. While the export of gold and diamonds must comply with internationally-accepted standards such as Kimberley Process certification, the permits required to export goods such as cocoa and coffee are issued automatically and at no cost.

Foreign companies may own or invest in Sierra Leonean entities, with limited exceptions. Small mining investments require a minority partnership with a Sierra Leonean company, the Sierra Leone National Carrier Ratification Agreement of 2012 provides preferential treatment in shipping to the Sierra Leone National Shipping Company, and the Petroleum (Exploration and Production) Act 2001 restricts licenses for petroleum exploration and production to companies registered or incorporated in Sierra Leone. Sierra Leone has also identified certain restrictions on foreign investment in its Schedule of Specific Commitments to the General Agreement on Trade in Services, from August 1995, which established limited restrictions on the business services, financial services, and maritime and airport sectors.

The Local Content Policy, adopted in 2012, promotes the utilization of locally-produced goods and locally-provided services, and the employment of Sierra Leonean nationals. While failure to follow the policy previously resulted only in a denial of investment incentives, the Sierra Leone Local Content Agency Act 2016 requires compliance. More information is available below in the "Performance Requirements" section.

The legal system generally treats foreign investors in a non-discriminatory fashion, though investors comment that judicial application of the laws is often subject to financial and political influence.

The Sierra Leone Investment and Export Promotion Agency (SLIEPA), <http://investsierraleone.biz>, can provide additional information about the laws and regulations applicable to foreign investments.

Business Registration

Sierra Leone has made significant progress in recent years in simplifying its business registration process. Registration is now managed by the Office of the Administrator and Registrar General (OARG), which provides a "one stop shop," including an online application. The process involves 6 steps and takes on average 10 days. Additional information is available from the OARG's website, <http://www.oarg.gov/sl>. SLIEPA also provides helpful step-by-step guidance at <http://www.investsierraleone.biz>.

Industrial Promotion

SLIEPA supports potential and established investors in the country, and is responsible for implementing various government programs and initiatives to attract additional investment. The Public Private Partnership (PPP) Unit, established in 2010 within the Office of the President, is exploring public private partnerships in the areas of energy and infrastructure. Thus far, the PPP Unit has had limited success in reaching financial closure.

The government's National Ebola Recovery Strategy establishes the groundwork for a 24-month agenda, to run through mid-2017. The strategy aims to restore economic growth and build on the work already done under the government's five-year development framework, the Agenda for Prosperity. As the government moves forward, it seeks private sector partners for projects in agriculture, fisheries, tourism, transport, energy, and mining. Priority is given to projects that will provide rapid results.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activities. Foreigners are free to establish, acquire and dispose of interests in business enterprises. There are limits to land ownership by foreign entities and individuals. These restrictions vary depending on location of the land being used, and are discussed in greater detail below.

Privatization Program

The National Commission for Privatization was established in 2002 to facilitate the privatization of various state owned enterprises. With support from the World Bank, the commission has focused on privatization of the country's port operations, and currently seeks investments in

public private partnerships for port security, operations at Lungi International Airport, and other infrastructure projects. Sierra Leone is also in the process of privatizing its telecommunications gateway, which is currently held as a monopoly, and the operator of the undersea fiber optic cable, the Sierra Leone Cable Company (SALCAB). Privatization processes are open to foreign investors.

Screening of FDI

Sierra Leonean authorities do not screen, review, or approve foreign direct investments. Companies must register to do business in Sierra Leone, but the Embassy is not aware of any complaints that the registration process has been used to block particular investments or discriminate against particular investors.

Competition Law

Sierra Leone does not have a competition law. The European Union and the UN Conference on Trade and Development (UNCTAD) have supported the Ministry of Trade and Industry's attempts to develop a competition policy, but the Parliament has not yet adopted relevant legislation.

2. Conversion and Transfer Policies

Foreign Exchange

The Investment Promotion Act 2004 guarantees foreign investors and expatriate employees the right to repatriate earnings and the proceeds of the sale of assets. There are no restrictions on converting or transferring funds associated with investments, including remittances, earnings, loan repayments, or lease payments. Investors can withdraw any amount from commercial banks and transfer it into any freely convertible currency at market rates. Availability of foreign exchange currencies is often limited, and foreign-controlled businesses in rural areas have reported challenges in dealing with local banks. The Bank of Sierra Leone conducts weekly foreign exchange auctions of U.S. dollars. Only commercial banks registered in Sierra Leone may participate, and each bank is limited to purchasing \$100,000 at each auction. The Leone has a fluctuating exchange rate. Sierra Leone is a party to the West African Monetary Zone (with the Gambia, Ghana, Guinea, Liberia, and Nigeria), and plans to introduce a common currency have repeatedly been delayed.

Remittance Policies

The Embassy is not aware of any recent complaints from investors regarding the remittance of investment returns, or of any planned policy changes on this issue.

Sierra Leone is identified as a country of concern for money laundering and financial crimes in the State Department's 2015 International Narcotics Control Strategy Report. Loose oversight of financial institutions, weak regulations and pervasive corruption have made Sierra Leone vulnerable to money laundering. While the country's anti-money laundering controls remain underdeveloped and underfunded, the Financial Intelligence Unit anticipates completing a national risk assessment and national action plan in 2016.

3. Expropriation and Compensation

There is no history of expropriation in Sierra Leone, or of any discrimination against U.S. investments or companies. The Constitution authorizes the government to expropriate property only when it is necessary in the interests of national defense, public safety, order, morality, town and country planning, or the public benefit or welfare. In cases of expropriation, the Constitution guarantees the prompt payment of adequate compensation, with a right of access to a court or another independent authority to consider legality, determine the amount of compensation, and ensure prompt payment.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The legal system is derived from the English common law system, and outside of Freetown courts also apply customary law to many disputes. The courts provide a venue to enforce property and contract rights. The country does not have a consolidated written commercial or contractual law.

The Superior Court of Judicature consists of the Supreme Court, the Court of Appeal, and the High Court. Commercial disputes brought before the High Court are generally heard by the Commercial and Admiralty Division. In 2010, Sierra Leone created a Fast Track Commercial Court, which is charged with providing expedited resolution of commercial disputes. To date, the court has had minimal effectiveness due to resource limitations.

Foreign investors have equal access to the judicial system, but in practice the system is slow and often subject to financial and political influences. Judgments of foreign courts can be enforceable under the Foreign Judgments (Reciprocal Enforcement) Act 1960, provided the country has a bilateral or reciprocal enforcement treaty with Sierra Leone.

Bankruptcy

The Bankruptcy Act 2009 establishes a process of bankruptcy for individuals and companies. Bankruptcy is a civil matter, but it may disqualify an individual from holding certain elected and public offices and from practicing certain professions. The Bankruptcy Act 2009 also encourages and facilitates reorganization as an alternative to liquidation. The World Bank ranks Sierra Leone 142nd in the ease of resolving insolvency. While the country's regulatory framework for bankruptcy is relatively strong, secured creditors receive only 10 cents on the dollar (compared to 20 cents throughout sub-Saharan Africa) and the proceedings cost approximately 40% of the estate's value.

Investment Disputes

Investment disputes in Sierra Leone can take a long time to resolve, given the slow pace of government actions and substantial court backlogs. Nonetheless, the Embassy has not received any recent reports of U.S. investors being unable to resolve particular disputes with the government.

International Arbitration

The Arbitration Act 1960 allows investors to arbitrate disputes, but the procedures set forth in the law are outdated and not in compliance with international standards. The country does not have a central arbitral institution, and instead arbitration is conducted on an ad hoc

basis, including through pretrial settlement conferences and alternative dispute resolution mechanisms before the Commercial and Admiralty Division of the High Court. The Investment Promotion Act 2004 allows investment disputes to be referred to arbitration in accordance with UNCITRAL procedures or the framework of any applicable bilateral or multilateral investment agreement.

ICSID Convention and New York Convention

Sierra Leone has been a party to the ICSID Convention since 1966. Sierra Leone is not a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). Section 13 of the Arbitration Act 1960 allows foreign arbitral awards to be registered in Sierra Leonean courts and enforced in the same manner as a domestic judgment or court order. However, registration of foreign arbitral awards is not automatic but instead left to the discretion of the presiding judge.

Duration of Dispute Resolution – Local Courts

Judicial recourse in Sierra Leone is a time-consuming process, including in investment disputes. Sierra Leone created a Fast Track Commercial Court in 2010 to provide expedited resolution of commercial disputes, in the hope of reducing the duration of a typical commercial case from 2-3 years to 6 months. Thus far, the court is understaffed and has had limited effectiveness. Enforcing court decisions is often a difficult, time-consuming process.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Sierra Leone has been a member of the WTO since July 23, 1995, and a member of GATT since May 19, 1961. Sierra Leone has never been a party to a dispute case before the WTO, and it has not notified the WTO of any measures that are inconsistent with the WTO's Trade Related Investment Measures (TRIMs) obligations.

Investment Incentives

The Investment Promotion Act 2004 creates various incentives for foreign and domestic investors, and the Sierra Leone Investment and Export Promotion Agency (SLIEPA) compiles information about the benefits and incentives available in various sectors. These incentives include:

- Ability to carry forward 100% of losses indefinitely.
- Reduced duty rates of 3% on the import of raw materials, plant and machinery.
- Income tax exemptions for the employment of local staff.
- Exemption from export/excise taxes for 75% exported output.
- Three-year income tax exemption for skilled expatriate staff, where bilateral treaties permit.
- Tax deductions for expenditures on R&D and training.

- *Agribusiness*: Income tax exemptions for 10 years for investments in cocoa, coffee, palm oil, and other rice and tree crop farming; an exemption from import duties for farm machinery, equipment and agrochemicals; and an exemption from withholding taxes for 50 percent of dividends.
- *Infrastructure*: Income tax exemptions for 15 years for public private partnerships with capital investments in excess of \$20 million.
- *Mining*: Partial income tax exemptions for up to 10 years, and a capital allowance of 100% in the first year for prospecting and exploration expenses, followed by an allowance of 40% for production rights and other expenditures in the year of expenditure.
- *Tourism*: Reduced income taxes for five years, a two-year payroll tax exemption for a limited number of skilled expatriate workers, a full exemption from import duties for new construction, and a tax deduction of 125% of international expenditures to promote tourism.

Research and Development

Sierra Leone has no restrictions on foreign firms' participation in government-funded research and development programs, but the Embassy knows of no such programs.

Performance Requirements

The Sierra Leone Local Content Agency Act 2016 promotes foreign investors' utilization of the domestic private sector. The act applies in the mining, petroleum, manufacturing, agriculture, transportation, maritime, aviation, tourism, public works, fisheries, health and energy sectors.

The local content policy targets several issues:

- **Employment of nationals**: Sierra Leoneans should be given "first consideration" for employment and training. The policy establishes minimum percentages for Sierra Leonean nationals among an enterprise's managerial and intermediate (50%) employees, and limits the employment of expatriates as junior employees.
- **Use of local goods and services**: Firms should give preference to Sierra Leonean goods when they are of equal or comparable value. Companies must use certain amounts of local materials in key sectors (including 10% of domestically produced units in manufacturing, 10% of domestically available granite in cement, and specific percentages of locally produced fabric and furniture in tourism). In the event there is inadequate local capacity to meet the law's target, the Ministry of Trade and Industry may issue a waiver.
- **National preferences in contracts**: The policy gives first consideration to Sierra Leonean companies for mining and petroleum awards and licenses, as well as public works contracts. The policy also gives domestic firms a preferential margin in government and private procurements.

The local content policy will be enforced by the Local Content Agency, to be established in 2016. Companies will be required to submit local content plans to demonstrate compliance, and violations are subject to fines, the loss of investment incentives and civil forfeiture.

Data Storage

The Embassy is unaware of any Government of Sierra Leone requirement for companies to turn over source code, provide access to surveillance information, or maintain data storage within the country.

6. Protection of Property Rights

Real Property

There are two systems of land tenure in Sierra Leone. Freetown and the Western Area, the former British colony of Sierra Leone, operate under a freehold system. Outside the Western Area, land is governed under a leasehold system, where local communities retain ultimate control. Foreigners cannot own land under either system, but they can lease land for terms of up to 99 years. In leasehold areas, local Paramount Chiefs control the land, and may enter into joint ventures with investors to develop or use the land in ways that serve the interests of the indigenous and local communities.

The Constitution protects property rights, but the rule of law is fragile and uneven across the country. In the absence of an effectively functioning legal framework, property rights and contracts are not secure. Mortgages and liens are possible but rare, and generally involve high interest rates and short loan periods. There is no land titling system, and traditional tribal justice systems still serve as a supplement to the national government's judiciary, especially in rural areas. The World Bank ranks Sierra Leone 159th in the world for the ease of registering property, as the process takes approximately 56 days and costs more than 10 percent of the property's value.

The Government of Sierra Leone's Agenda for Prosperity recognizes that reforming the manner in which land ownership rights and obligations are determined is necessary in order to attract foreign investment. The World Bank has provided assistance in this area, and proposed reforms include a comprehensive land use policy that modernizes the land registry, revises urban planning policies, and ensures that women have equal access. The cabinet approved a new National Land Policy in November 2015, but the policy awaits Parliament's action.

Intellectual Property Rights

Sierra Leone has been a member of the World Intellectual Property Organization since 1986 and a member of the African Regional Intellectual Property Organization (ARIPO), the common intellectual property body for English-speaking African countries, since 1980. As a member of the WTO, Sierra Leone is also bound by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Despite its recognition of these international standards, Sierra Leone's protection of intellectual property is very limited. Laws dating back to the colonial era mean that patents and trademarks registered in the United Kingdom can be extended to Sierra Leone. Efforts to

update the country's legal framework have thus far included the Copyright Act 2011, the Patents and Industrial Design Act 2012, and the Trademark Act 2014. Nonetheless, legal protections remain outdated and incomplete, and government enforcement is minimal due to resource and capacity limitations. Customs screening for counterfeit goods is weak, and the government publishes no known statistics about seizures of counterfeit goods.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Scott Risner
Economic and Commercial Officer
U.S. Mission Sierra Leone
+232 99 105 120
freetown-econ@state.gov

Companies may wish to seek advice from local attorneys who are experts in Sierra Leonean law. A list of local lawyers is available at http://freetown.usembassy.gov/local_attorneys.html.

7. Transparency of the Regulatory System

Sierra Leone's regulatory system is undeveloped, but the government recognizes the need for more transparent policies and more effective laws to promote competition and investment. Legal, regulatory and accounting systems lack transparency and are not fully consistent with international norms.

In recent years, Sierra Leone has taken various steps to promote regulatory transparency. The Right to Access Information Act 2013 makes government records and information available to the public, though its implementation has been incomplete. Sierra Leone joined the Open Government Partnership (OGP) in 2014. The country's most recent National Action Plan, for 2014-2016, sets forth specific plans to improve public integrity, strengthen the management of public resources, and support corporate accountability. The government has made its budgetary process more transparent, and the United States' Fiscal Transparency Report for FY 2015 recognized that Sierra Leone meets the minimum requirements of fiscal transparency. The Office of the Auditor General has produced comprehensive and credible annual audits in recent years, along with real-time audits of certain Ebola response funds. While the audits have identified numerous serious deficiencies and challenges, most of the Auditor General's recommendations are not implemented by the responsible ministries, departments, and agencies. Sierra Leone joined the Extractive Industries Transparency Initiative in 2008, and after a brief suspension for insufficient disclosures the country has been EITI compliant since 2014. As discussed above, the government has attempted to simplify and streamline various business processes, including the procedures for business registration.

The public has few opportunities to provide input into proposed laws and regulations. The Constitution requires proposed laws and regulations to be published in a government publication, the Gazette, for a period of 21 days. However, stakeholders assert that they often do not receive notice of relevant regulatory changes, and a proposed regulation may automatically take effect unless overturned by Parliament. The business community is

represented by the Sierra Leone Chamber of Commerce, Industry and Agriculture, but the private sector and civil society have a limited role in pushing for regulatory change.

8. Efficient Capital Markets and Portfolio Investment

No capital market or portfolio investment opportunities exist in Sierra Leone. The country established a stock exchange in 2009, but the exchange lists only one stock, a state-controlled bank. Sierra Leone's regulatory system does not stop the free flow of financial resources. Nonetheless, foreign and domestic businesses alike have difficulty obtaining commercial credit. Foreigner interests may access credit under the same market conditions as Sierra Leoneans, but banks loan small amounts at high interest rates. Foreign investors typically bring capital in from outside the country.

Money and Banking System, Hostile Takeovers

Sierra Leone's growing banking sector consists of 13 commercial banks, including two state-owned entities, and four community banks. Nearly 100 bank branches exist throughout the country, with activity concentrated in Freetown. The commercial banks' assets represent approximately 20% of GDP. The sector is plagued by poor performance and has significant vulnerability. While the country's banks are profitable, the two largest banks were placed under administration in 2014. The World Bank found that non-performing loans constitute 39.6% of gross loans in June 2015.

Foreign individuals and companies may establish bank accounts. Electronic payments and ATM usage are very limited in Freetown and non-existent outside of the capital. The central bank, the Bank of Sierra Leone, has limited institutional capacity, but in 2016 the bank plans to roll out a "national switch" to facilitate connectivity among different banks' electronic systems. There is no history of hostile takeovers in Sierra Leone.

9. Competition from State-Owned Enterprises

Sierra Leone has more than 20 state-owned enterprises (SOEs). These entities are active in the utilities, transport and financial sectors. There is no official government-maintained list of SOEs, but notable examples include the Guma Valley Water Company, the Sierra Leone Telecommunication Co. (Sierratel), the Electricity Distribution and Supply Authority (EDSA), the Electricity Generation and Transmission Company (EGTC), the Sierra Leone Airports Authority, the Sierra Leone Ports Authority, the Sierra Leone Roads Authority, the Sierra Leone Broadcasting Corporation, Rokel Commercial Bank, the Sierra Leone Commercial Bank, and the Sierra Leone Housing Corporation.

Sierra Leone is not party to the Government Procurement Agreement within the WTO Framework. SOEs may engage in commerce with the private sector, but they do not compete on the same terms as private enterprises, and they often have access to government subsidies and other benefits. SOEs in Sierra Leone do not play a significant role in funding or sponsoring research and development.

OECD Guidelines on Corporate Governance of SOEs

Sierra Leone's SOEs operate in various ways, but most report to a cabinet minister and are under the oversight of Parliament. The Office of the Auditor General includes SOEs in its

annual audit of the government's accounts. As part of the government's privatization program, SOEs are establishing boards of directors and adopting stronger governance practices.

Sovereign Wealth Funds

Sierra Leone does not maintain a sovereign wealth fund.

10. Responsible Business Conduct

The government encourages companies to engage in responsible business conduct, and the Sierra Leone Investment and Export Agency (SLIEPA) seeks investors who will undertake corporate social responsibility projects. Sierra Leone does not have a set of standards or policies in this area, but the law provides various incentives. For example, the Finance Act 2011 created a tax deduction for expenditures on social services that are outside the scope of the investment, such as the construction of schools and hospitals for community use, by making them tax deductible. Businesses operating in areas outside of Freetown and the Western Area, where local Paramount Chiefs control the land, are often expected by community leaders to engage in projects to support the communities' social and economic well-being, human capital development, and physical infrastructure. Throughout the country, there is limited awareness of corporate impacts on human rights and environmental protection. Sierra Leone is a member of the Extractive Industries Transparency Initiative, and has been certified as compliant since 2014.

11. Political Violence

Sierra Leone has experienced peace and stability since the end of the civil war in 2002. The country held multi-party elections in 2007 and 2012, and the UN Integrated Peacebuilding Office in Sierra Leone (UNIPSIL) ended its operations in 2014. Sierra Leone's relations with the neighboring countries of Guinea and Liberia are peaceful. There have been no significant incidents in recent years of politically motivated damage to private property or installations, and no known targeting of foreign-held property. However, there have been increased reports of politically-motivated violence in 2015 and 2016. As Sierra Leone prepares for national and local elections in 2018, increasing political tensions could have indirect effects on the economy.

12. Corruption

Foreign investors and the public alike see corruption as endemic throughout Sierra Leone, despite some improvements in recent years. Sierra Leone ranked 119th out of 168 countries on Transparency International's 2015 Corruption Perceptions Index, an improvement from its rank of 150th in 2008. Nonetheless, measures to combat corruption have been largely ineffective. For businesses, corruption exists in government procurement, the award of licenses and concessions, regulatory enforcement, customs clearance, and dispute resolution.

The Anti-Corruption Act of 2008 makes it a criminal offense to offer, solicit, or receive a bribe. The law applies to all appointed and elected officials, close family members, and all companies whether foreign or domestic, but it does not extend to political parties. Public officials must recuse themselves from matters in which they have financial interests, and must

submit annual disclosures of their assets and liabilities. The Anti-Corruption Commission, established in 2000, has the authority to investigate and prosecute acts of corruption by individuals and companies. To date, the commission has had limited impact, though there are no suggestions that it has used its authority to discriminate against foreign businesses.

Sierra Leone joined the Extractive Industries Transparency Initiative in 2008, and after a brief suspension due to incomplete disclosures the country has been EITI-compliant since 2014. Corruption has frustrated Sierra Leone's hopes of partnering with the Millennium Challenge Corporation on a compact program, as the country has failed the "Control of Corruption" indicator on MCC's annual scorecards since FY 2014. While Sierra Leone and the MCC will begin to implement a threshold program in 2016, combating corruption is critical to the country's hopes for a broader compact program in the future.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Sierra Leone signed the UN Convention against Corruption in 2003 and ratified it in 2004. The country is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Anti-Corruption Commission
Cathedral House
3 Gloucester Street, Freetown
+232 76 394 111, +232 77 985 985
report@anticorruption.gov.sl
http://anticorruption.gov.sl/report_corruption.php

Lavina Banduah
Executive Director
Transparency International Sierra Leone
18 Dundas Street, Freetown
+232 79 060 985, +232 76 618 348
lbanduah@tisierraleone.org

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Sierra Leone has bilateral investment treaties with Germany (in force since 1966) and the United Kingdom (adopted in 1985 and revised in 2001). It signed a treaty with China in 2001, but the agreement has not yet entered into force. As a member of the Economic Community of West African States (ECOWAS), Sierra Leone also benefits from the Trade and Investment Framework Agreement signed in 2014 by ECOWAS and the United States.

Sierra Leone does not have a bilateral taxation treaty with the United States.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

In conjunction with First Step, a subsidiary of U.S.-based development organization World Hope International, the Government of Sierra Leone established a Special Economic Zone

(SEZ) in 2011 on 50 acres near Sierra Leone’s principal seaport in Freetown. The SEZ includes import and export duty exemptions, three-year corporate tax holidays, and expedited government services including customs, immigration, and registration.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	n/a	n/a	2014	\$4.838B	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	n/a	n/a	2015	\$38M	http://bea.gov/international/factsheet/factsheet.cfm?Area=434
Host country’s FDI in the United States (\$M USD, stock positions)	n/a	n/a	2015	\$0	http://bea.gov/international/factsheet/factsheet.cfm?Area=434
Total inbound stock of FDI as % host GDP	n/a	n/a	2015	0.8%	n/a

Table 3: Sources and Destination of FDI

IMF Coordinated Direct Investment Survey data are not available for Sierra Leone.

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data are not available for Sierra Leone.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of English common law and customary law

International organization participation:

ACP, AfDB, AU, C, ECOWAS, EITI (candidate country), FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IDB, IFAD, IFC, IFRC, IHO (pending member), ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITU, ITUC (NGOs), MIGA, NAM, OIC, OPCW, UN, UNAMID, UNCTAD, UNESCO, UNIDO, UNIFIL, UNISFA, UNMIT, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

Exchange control is under the direct supervision of the Bank of Sierra Leone. The following are broad guidelines:

Real estate transactions

Sierra Leoneans: Capital transfers for real estate transactions are not permitted.

Non-Sierra Leoneans: Non-Sierra Leoneans can purchase real estate from funds brought in by documented remittances through an authorised dealer.

Holdings of assets abroad

Transactions under this category should be processed within the regulations governing foreign currency accounts.

Borrowing

Internal Borrowing (in Leones): It is permitted for an authorised dealer acting within the existing regulations to grant commercial and financial credits to a legal entity registered in Sierra Leone.

External Borrowing: It is permitted to contract external loans fully covered by external collateral acceptable to the lending institution. Documentation to assess the quality of the collateral should be available for inspection by the Bank of Sierra Leone.

Guarantees

The prior approval of the Bank of Sierra Leone should be obtained for the giving and renewal of:

- (a) any guarantee or any other undertaking, the implementation of which would involve payment to a non-resident or payment in any foreign currency
- (b) any guarantee to a resident in Sierra Leone on behalf of or in the account of a resident outside Sierra Leone.

Commercial Banks may, without the prior permission of The Bank of Sierra Leone, give the following types of guarantees on behalf of their customers:

- (a) guarantees in respect of missing documents
- (b) the authenticity of signatures

(c) the release of under trust receipts and the like.

Investments

All capital inflows for investment, whether public or private, are allowed by non-Sierra Leoneans. The repatriation of such capital inflows for investment is also permitted through an authorised dealer.

Treaty and non-treaty withholding tax rates

None of the double tax agreements entered into by Sierra Leone reduce the rate of withholding taxes on payments to non-residents.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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