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Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 06-Jul-2017 | Report No: PIDISDSC21103



BASIC INFORMATION

A. Basic Project Data

Country Sierra Leone	Project ID P160719	Parent Project ID (if any)	Project Name Extractive Industries Technical Assistance Project Phase 2 (P160719)
Region AFRICA	Estimated Appraisal Date Sep 07, 2017	Estimated Board Date Nov 22, 2017	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Economic Development	Implementing Agency Ministry of Mines and Mineral Resources	

Proposed Development Objective(s)

The proposed project development objective is to strengthen governance, knowledge, and sustainability of the extractives sector in Sierra Leone.

Financing (in USD Million)

Financing Source	Amount
IDA Grant	20.00
Total Project Cost	20.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)

B. Introduction and Context

Sierra Leone has a population of about 6.3 million with approximately 39.1% living in urban areas and the urbanization



rate is projected to reach 43.8% in 2030. Sierra Leone failed to achieve most Millennium Development Goals (MDGs) by 2015, basic infrastructure is lacking throughout the country and living standards remain very low. Sierra Leone ranks 183-rd out of 187 countries on the U.N.'s 2014 Human Development Index, poverty remains widespread with more than 50% of the population living on less than US\$ 1.25 a day, and unemployment and illiteracy levels remain high, particularly among youth. It is obvious, that in order to achieve 17 Sustainable Development Goals (SDGs) by 2030, the country government has to improve the development work across all sectors.

Mining has been underway in Sierra Leone since the 1920s. In recent history, from 1991-2002, Sierra Leone suffered a devastating civil war that was fueled in great part by conflicting investment interests in extractive industries, specifically alluvial diamonds. Since the end of the conflict, this West African country's political and economic landscapes have progressively improved, benefiting from improved polices and economic recovery of extractive industries, triggered by booming commodity prices. A number of public services have been restored, investors have returned and new investors are showing interest. Regional transport corridors and infrastructure linkages are being pursued.

With a Country Policy and Institutional Assessment (CPIA) score of 3.3, Sierra Leone is transitioning out of "fragile state" status but considerable governance deficiencies persist, jeopardizing legitimate and sustained investment. The fragility of Sierra Leone's progress has most recently been laid bare by exogenous shocks ranging from the Ebola Virus Disease (EVD) crisis to declining global commodity prices. As a result, economic outcomes deteriorated sharply and growth declined dramatically from 4.6 percent in 2014 to -21.1 percent in 2015. The country budget was under extraordinary pressure, and government authorities had difficulty funding routine expenditures in a timely manner. The country currency depreciated and banking sector vulnerabilities have also increased. More than a year after these shocks difficulties persist but the economy, however, has shown sign of recovery in 2016. Despite a slight economic recovery, future growth prospects remain uncertain caused by the continued volatility in commodity prices hindering the development of the mineral sector, a reduction in aid flows, and an extremely constrained fiscal environment.

C. Sectoral and Institutional Context

Sierra Leone has substantial mineral and potential oil reserves and production capabilities which have the potential to underpin much higher GDP growth rates, notwithstanding the current slump in the minerals sector which is largely related to the downturn in global prices and higher cost structures in the country. Apart from iron ore, the country has proven deposits of bauxite, chromite, diamonds, gold, platinum and rutile with a number of foreign operators already involved in most of these sub-sectors. All operators in these sectors are being challenged by current adverse world supply and demand conditions and it is highly likely that these conditions will persist for the foreseeable future.

Sierra Leone is the world's third largest producer of rutile, tenth largest producer of diamonds, a surging iron ore exporter and an oil exporter in waiting. Foreign direct investment (FDI) net inflow as a percentage of GDP, buoyed by rising global mineral prices, grew steadily from 2008 until 2011, when it reached a peak of 24% growth. In 2012, Sierra Leone achieved GDP growth of 15.2 percent, faster than any other economy in Sub-Saharan Africa for that year. The known mineral and (offshore) oil prospects are sufficiently promising to suggest the development of the extractive industries sector in the future; to date these developments have been conducted in a virtual geo-data vacuum resulting in ad hoc mapping, geological uncertainty and likely miscalculation of significant extractives wealth. Based on regional geo-data information, significant development potential lies in the modern investigation of Sierra Leone's geology.

It is estimated, that more than 400,000 Sierra Leoneans are directly employed in the country's extractive industries sector (government and mining operations) with approximately 300,000 employed at artisanal mining operations. In 2013, the mining sector, being the primary industry, accounted for approximately 18 percent of GDP, 90 percent of exports and 14 percent of employment (the latter, mainly in artisanal mining). The mineral exports generating most foreign exchange, gem-quality diamonds account for nearly half of exports and for high rates of economic growth. As of 2015, with low



global commodity prices the sector is not performing as expected, albeit lower than the expectations at the time of high commodity prices. The minerals sector is essential for Sierra Leone's development, generating significant revenues, contributing to job generation, strengthening economic and environmental governance, and fostering improved infrastructure, education and other ancillary economic activities. In spite of recent declines, primarily attributed to fallen commodity prices, over the long term, because of global demand for minerals and oil, the extractive industries sector will continue to be an important contributor for Sierra's Leone economic recovery, development and growth.

Extractive Industries (EI) Governance. The country has made a commendable start with respect to modernizing the legislative framework for the sector, centralized institutional reform has produced some successes in the country's extractives sector, but has not yet created the institutional capabilities or incentives to sustainably manage impacts. The Ministry of Mines and Mineral Resources (MMMR) remains as the responsible government agency for policy-making and the management of the minerals sector; the Petroleum Directorate of the Office of the President regulates oil and natural gas. The newly established National Minerals Agency (NMA) plays the role of a semi-autonomous regulator, with a clear emphasis on technical strengths, and serves as the lead technical group to implement all Government geological survey, mining cadastre and inspectorate functions. The 2009 Mines and Minerals Act and 2011 Petroleum Act provide legislative grounding for sector operations but in today's market context, legislation is rife with inconsistencies leaving Government, license holders and citizens to rely on highly interpretive and often personalized agreement on operating terms. In the present context, Government recognizes that absent regulatory reform and attendant capacity building, it will be impossible to effectively manage the sector and to adequately capture revenues, safeguard the environment and ensure long-term benefits to the country. Continued policy, legal and institutional reform matched with human and institutional capacity building and practical strategic planning are required if sustained extractive industries' growth is to be leveraged. There remain certain implementation areas that will benefit from clarified institutional oversight including the promotion of investment and handling of grievances. The Extractive Industries Transparency Initiative (EITI) was estimated to play more proactive role in the extractives sector, but to date, its impact has been limited, and further enhancement of activities aiming to increase the transparency in the sector is required. To date, EITI has targeted limited large scale investments with less focus on small-scale investments and no attention to artisanal mining. It is important that EITI mechanisms be integrated into existing governance frameworks to limit duplication of activities and build comprehensive measures for increased transparency.

Ebola and global commodity prices impacts. The impact of Sierra Leone's Ebola outbreak on extractive industries led in some cases to expatriate workforce reductions but production largely continued. The crisis did create significant challenges for supply chains, including the declaration of force majeure by subcontractors and restrictions on air and sea transport access for needed imports. Positive outcomes of the crisis have been an extreme heightening of citizen awareness and Government response preparedness including deeper reflection on the potential of market interruptions to the economy. At the same time, low commodity prices jeopardized the viability of extractive industries, specifically mines, and the sector's collective viability. Sierra Leone's two largest mines have struggled amidst low commodity prices running extended losses.

Social impacts. Despite myriad reforms, breaching historical enclaves remains a challenging proposition in Sierra Leone's post-conflict environment. Legacies of war remain in political factions, prioritization of social relief, and development preferences. Legitimized large-scale iron ore mining, though still in relatively early operational stages, is generating revenues but has yet to tangibly impact communities or broader social improvement. In particular, the breadth of illicit diamond and gold mining have similarly failed to provide more than sub-par wages to local community members on whom little factual data has been gathered. It is known that these workers are typically seasonal, work without contract typically following a "produce or perish" payment system and are members of the local mine community. Some migration of miners is emerging with a shift to gold mining as diamond deposits are depleted. Virtually no tenure-secure jobs are accessible to limited local skill sets and, competing with migrant labor (some foreign), local communities have generally failed to secure employment benefits on the scale expected. While safeguarding revenues for economic growth is a primary concern, so too is realizing the broader development benefits that may be garnered from the extractives sector as



well as mitigating the negative impacts of sector developments. Sierra Leone, like its neighbors in the Mano River Union, has historically witnessed that mining results in “growth without development.” Local grievances continue, revolving around ineffectually mitigated land and compensation claims, environmental and social impacts, exclusion from expected employment opportunities and elite capture of local benefit sharing.

Environmental Management. Over the years, all categories of mining activities have operated under less than ideal environmental standards and have flagrantly neglected their mine rehabilitation responsibilities due to lack of clarity in the legal and regulatory frameworks as well as little inspection of operations. This has resulted in a legacy that has rendered land unproductive, deforestation, degraded with biodiversity loss and water impacts due to dredging. To address this EITAP 1 provided support to a series of activities aiming at filling legislative gaps as well as providing much needed capacity building to the NMA, as the mining regulatory body, as well as to the Environment Protection Agency (EPA). The project prepared a Strategic Environmental Assessment (SEA), which had as main objective to propose recommendations for the resolution of the critical environmental and social issues, as identified by key stakeholders, which must be confronted in order for mining sector reform to be sustainable and to contribute to long-term development of affected communities and Sierra Leone as a whole. As a result of the recommendations from the SESA a series of laws and regulations were drafted and approved: (a) Mines and Minerals Operational Regulations were passed into Law on October 14, 2013; (b) Social and Environmental Regulations were passed into Law on October 14, 2013; (c) Precious Minerals Trading Act was approved by Cabinet in 2015; and (d) The Resettlement Policy has been the subject of studies and consultation in 2014, including a major exercise with affected communities in Lunsar, and was finalized. Despite the many advances, capacity is still lagging and needs to be addressed. EITAP 1 also supported a baseline study to provide strategic information on progressive measures to ensure adequate mine closure and land rehabilitation due to mining activities around the country. It’s objective was to provide the necessary tool to propose measures to mitigate or reverse land degradation in mining communities. It established social, environmental, legal and operational baselines with respect to compliance with the mine closure requirements, as stipulated in the Mines and Minerals Act.

Artisanal Mining. Although the precise legal definitions of mine scales may be strengthened, artisanal mining is recognized to be a poverty-driven enterprise that is conducted using rudimentary tools and ad hoc mining methodologies. It is clear throughout Sierra Leone that artisanal mining impacts on local livelihoods are tremendous albeit informal. Alongside larger-scale extractives activity, Government is continuing to develop an approach to managing the positive and negative impacts of artisanal mining (AM) and other local livelihoods. Contemporary estimates suggest there are between 300,000 and 400,000 artisanal miners working in Sierra Leone, compared to approximately 14,000 employed in large-scale mines (in 2010). Refinement of how “small-scale mining” is defined is essential in the current context where illicitly obtained, multiple holdings of artisanal licenses, including by single foreign entities, effectively translates into a small-scale mining operation but is beholden only to artisanal legal (and environmental) requirements, of which there are few. In addition to significant direct employment, in Sierra Leone evidence reflects that AM generates considerable indirect employment, particularly in agricultural production. The NMA estimates that at least 50% of AM in Sierra Leone is ongoing without a valid license and that the sector is under-regulated; “rush” mining (temporary, immediate discoveries) in protected areas and elsewhere contributes to harmful environmental and social impacts that are not adequately understood or addressed. Alluvial diamond mining underpinned earlier local patronage systems and, as recently as 2006, accounted for upwards of 80 percent of Sierra Leonean diamond exports. But, as commodity price trends vacillate and deposits are depleted, AM miners have necessarily proven to be mobile in moving back and forth between higher-value propositions such as gold mining. These shifts in activity and geography entail changing impacts, and dialogue on how to situate an undeveloped AM policy within a broader mineral policy is ongoing.

Bank’s Engagement. With support of the World Bank’s Mining Technical Assistance Project (MTAP), approved in FY09, which received an additional financing to broaden its scope in FY11 and was renamed at that time into the Extractive Industries Technical Assistance Project (EITAP), the Government embarked on a series of institutional and administrative reforms, aimed at refocusing the role of the State and removing inefficient and discretionary regulation. The main objective of the EITAP was to provide support to the government in its institutional strengthening and further



enhancement of EI sector regulatory framework. Under this support, Sierra Leone advanced greatly in the reforms necessary to improve governance in the mining sector. New legislation, institutions, capacity building and increased transparency have attracted new investments to the sector allowing its revenues and associated activities to make significant contributions to the country's economic growth. Among the most important achievements was the creation of the National Minerals Agency (NMA) the sector's regulatory and survey institution. The ANM was able to attract young and capable professionals that have been able to maintain the provision of reliable and professional services.

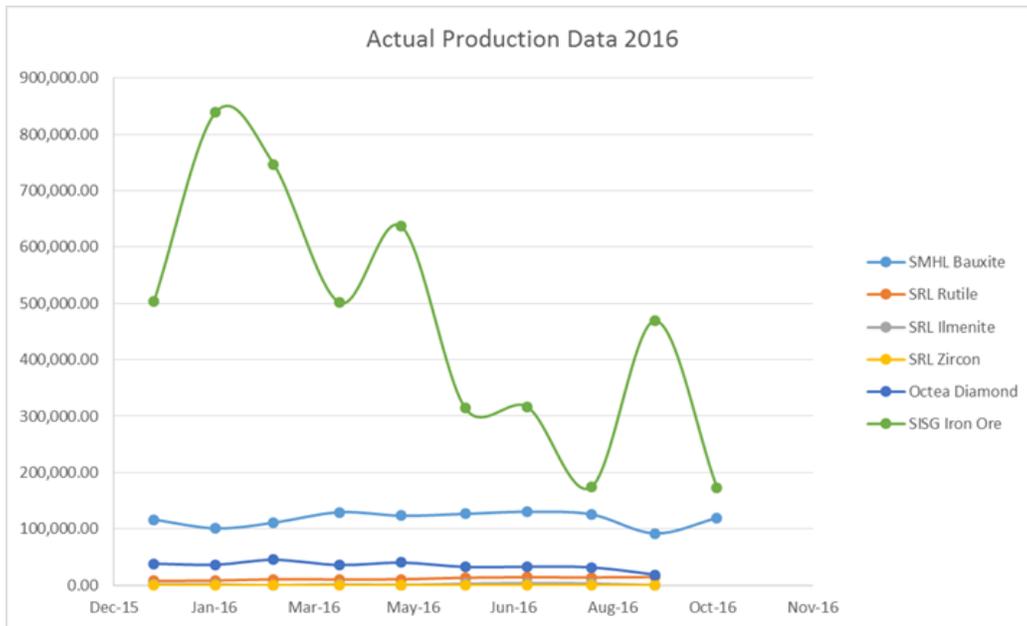
Important pieces of legislation prepared under EITAP support include: (a) Mines and Minerals Operational Regulations were passed into Law on October 14, 2013; (b) Social and Environmental Regulations were passed into Law on October 14, 2013; (c) Precious Minerals Trading Act was approved by Cabinet in 2015; (d) The Resettlement Policy has been the subject of studies and consultation in 2014, including a major exercise with affected communities in Lunsar, and was finalized. Since early 2014, the WB has been supporting the preparation of a new Minerals Policy (MP)¹ (and Minerals Policy Action Matrix) given that the existing Core Minerals Policy is outdated and does not reflect the current context of the sector and the many advances achieved. In addition, the WB has supported the preparation of a new Artisanal Mining Policy (AMP). Both the new MP and AMP are expected to be finalized and approved by early 2017. The WB has also been supporting legislation that is currently pending approval such as the 'Petroleum and Gas Law' (draft law prepared).

Recognizing the need for transparency to reduce corruption, stimulate foreign investment, bolster financial independence, to reduce donor assistance and to regain the trust, the government of Sierra Leone launched the Extractive Industries Transparency Initiative (SLEITI) in 2006. Sierra Leone achieved EITI Compliance status in 2014, and became one of earliest African countries to obtain this status and follow the EITI global standard for improving transparency of resource revenues. According to the Sierra Leone EITI (SLEITI) disclosures (2013 report), the country received USD 52 million in revenue from its extractive industry operations, and more than 75% of these revenues came from the mining sector, with the rest mainly stemming from exploration activities in the petroleum sector. Revenues were mainly collected through royalties (54%) and signature bonuses (15%). Through its Online Repository, hosted by the Revenue Development Foundation, Sierra Leone has made revenues generated from mining companies accessible to its citizens. Due to the market interruption brought on by the Ebola outbreak, the EITI is "catching up" on publication of revenues having completed 2011 and 2013, with 2012 soon to be published and 2014 by the end of 2016. EITI, with the support of GIZ, developed its road map to implement "beneficial ownership" by 2020. Representatives noted that they lack the structure to collect required information. With the NMA online repository, EITI staff will have real time information and believe they will be able to produce more timely information. Despite the many positive aspects derived from the implementation of EITI In Sierra Leone, the process needs to be better integrated into the sector discussions. The SLEITI secretariat has been operating on a stand-alone and disconnected mode from the rest of the sector which has been hindering its effectiveness.

Mineral Production A change in ownership of the two main iron ore mines has occurred; Africa Minerals bought by Shandong Iron and Steel Group, and London Mining by Timis Corporation, production at the Tonkolili mine (Shandong) resumed in January 2016. All key contracts are now in place and projections are for a total production of 12 m/t in 2016 (the same expected production in 2017). The challenge continues to be the ongoing fall in iron ore prices, high production costs due to an existing production contract, pressure to maintain workforce through MOUs signed between the Government and Shandong Iron and Steel Group and historic debt payment that has yet to be resolved. Shandong's plans remain unclear given that the mine is highly likely to be significantly loss making at current prices. Market estimates indicate a breakeven price for Shandong of US\$65-75/metric ton and the Shandong Group as a whole continues to do poorly limiting the scope for cross subsidizing operations over the value chain.

Mining Production 2016, Sierra Leone

¹ The new policy commitments codify the nation's goals and strategies to reflect: Sierra Leone's economic potential to be competitive, citizens' expectations for the minerals sector, build geo-science capacity, ensure that sector revenues significantly transform the economy, worker safeguards, and contains effective provisions to ensure that the environment is protected.



Large-scale diamond production continues to grow and the projections for 2016 surpass 358 thousand carats (industrial and artisanal production). The expectation is that this number will increase considerably as Sierra Leone's second-biggest diamond mine from two high-grade deposits is expected to begin operations in around nine months. Stellar Diamonds will acquire the Tonguma project from Ocea Mining and combine it with its own neighboring Tongo deposit to build a mine with a resource of five million carats underground. The company hopes to raise US\$ 25m from various sources – including existing investors, private equity and offtake agreements – to pay for the development of the mine, which it says could be up and running in just nine months. The Tongo-Tonguma project is expected to create up to 1,000 jobs and have an 18-year life.

Oil & Gas Sector. The discovery of oil in Sierra Leone's offshore waters has sparked considerable interest in the country as reflected in the surge of investors obtaining exploration rights through petroleum agreements. At the same time, as a result of low global oil prices and unsatisfactory offshore exploration results, the oil & gas sector in Sierra Leone is currently experiencing serious difficulties, and if to capture sector benefits, Government must prepare a comprehensive roadmap for further development of this industry, and identify main areas and forms of Government's contributions in its further enhancement. In parallel with the development of this strategy document, the World Bank will continue to support the Petroleum Directorate's ongoing activities on obtaining data, its interpretation and management.

Relationship to CPF

A new Country Assistance Framework (CAF) is currently under preparation for Sierra Leone. The most recent World Bank Country Assistance Strategy Progress Report (CASPR) 3 identifies the need for a new strategic pillar on managing the extractives boom. The CASPR highlights the potential growth opportunities arising from increased private sector investment, increases in revenues for development investment, the emergence of public-private partnerships for infrastructure development and strategic support for 'growth poles' to capture opportunities for economic development outside the capital city, Freetown. However, the CASPR also highlights a number of challenges and risks associated with these additional extractives-generated revenues. These problems arise in the areas of: a) public finance management; b) governance; including, but not limited to, licensing, contract negotiations, revenue management, accountability and combating corruption; c) macro-economic management and forecasting and d) the institutional, regulatory and monitoring frameworks for the extractive sector. In response to increasing awareness of the impact (positive and negative) of extractive activities upon local communities and the wider population, the CASPR further highlights the importance of



social accountability (demand for good governance). The challenges here are: a) improving citizen engagement and voice in the management of windfall revenues from mineral extraction; b) ensuring that public expectations of benefits from extractives-led economic growth are effectively and responsibly managed; and c) protecting the economic and social rights of communities directly affected by mining operations. This PCN is also aligned with the priority actions of Pillar 2 – Natural Resource Management of Government’s Agenda for Prosperity, Sierra Leone’s third generation Poverty Reduction Strategy Paper covering 2013 - 2018 (AfP).

C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

The proposed project development objective is to strengthen the capacity and governance systems of key institutions to manage the extractives sector and to build the country’s geological infrastructure.

Key Results (From PCN)

- i. Increase capacity of key Government institutions to enhance the efficiency, coordination and accountability of the institutions involved in the management and planning of the mining and hydrocarbon sectors;
- ii. Improve Sierra Leone’s geological infrastructure to enhance knowledge of mineral potential, attract investments and enhance the sector’s competitiveness by completion and updating of geo-data information;
- iii. Increase the sustainability of AM operations, including the formalization of artisanal miners, promoting and incentivizing cleaner and more sustainable technologies for production and facilitating the development and access to specific markets;
- iv. Improve the Government’s capacities on technical, labor, land, environmental and social compliance, including strengthened regulatory capacity.

D. Concept Description

The proposed project will be financed through an IDA Credit in the amount of US\$ 20 million. Targeted activities are expected to build and consolidate previous reforms supported under EITAP 1, which closes in December 2016, as well as a series of DPOs, and grants support, in order to continue building governance in the management of the extractive industries aiming at enhancing the sector’s support to the Sierra Leone’s growth and development.

Component A. IMPROVE MINERALS SECTOR GOVERNANCE

A1. Supporting a Successful Implementation of Sierra Leone’s Minerals Policy and Artisanal Mining Policy – The recently prepared Minerals Policy (MP) and Artisanal Mining Policy are expected to go to Cabinet for approval in early 2017. Successful implementation of these policies is essential to establish the role expected of the sector as a driver of economic growth, taking into account citizens’ expectations, to capture the imperatives of sub-regional collaboration, outline inclusive, transparent, and streamlined governance measures, promote the shared use of infrastructure with appropriate linkages within and outside of Sierra Leone. In support of these objectives, this sub component will (i) Further support the consultation, publication and dissemination of the policies including support to the already established inter-agency Minerals Policy Working Group led by MMR; (ii) Assist with the implementation of the Minerals Policy Action Matrix once approved by Cabinet; (iii) Establish and structure a Policy Directorate within MMR to ensure stronger policy formulation and implementation as recommended by the Management and Functional Review; (iv) Support the update and operationalizing of the AM Policy as a sub-policy document of the Minerals Policy.



A.2. Strengthening Governance – In moving toward the elimination of Sierra Leone’s natural resource paradox – a resource-rich country amid high levels of poverty, this sub-component aims to improve and strengthen overall sector governance through the following activities: (i) Strengthen capacity of Government institutions to more efficiently and effectively implement their mandates ; (ii) Support the improvement of provincial, district, chiefdom and local-level participation in mineral sector developments through the establishment of “Local Oversight Committees” (LOCs) in mining communities to monitor use of local funds relative to mining to promote local development. (iii) Clarify and strengthen the role of the Minerals Advisory Board (MAB); (iv) Support transparent revenue management through the development of “Mineral Revenue Management Program” and Quarterly meeting of mine operators (by category) with MMMR, NRA and MOFED to review revenue rules, issues and provide policy frameworks for Mineral Revenue Management and appropriate Fiscal Regimes; (v) Provide support for the implementation selected activities in the Extractive Industries Transparency Initiative (EITI) Work Plan with an emphasis on capacity building and training for the EITI Secretariat and multi-stakeholder working group to meet the new EITI standards especially in relation to beneficial ownership requirements and mainstreaming.

A.3. Strengthening Legal and Regulatory Frameworks – An effective, transparent and consistent legislative framework is essential for a functioning extractives sector which would also attract the “right” investor type to Sierra Leone. To support this objective, this sub component will undertake the following core activities: (i) Harmonize legislative regimes applicable to the minerals sector through a comprehensive review of policies, legal and regulatory provisions to avoid current overlaps ; (ii) Review and amend the current Mines and Minerals Act and regulations to reflect new policy guidance; (iii) Amend specific legislation to ensure that minerals legislation related to granting mineral rights is applied consistently increasing transparency and guarantees security of tenure; (iv) Review and amend health and safety laws and regulations; (v) Guide the preparation of “Mining and Environment” regulations to guide investor, community and government actions.

A.4. Conservation of Resources, Environmental Monitoring and Public Participation – These remain critical pillars of essential environmental governance and stewardship. To support these goals, this sub component aims to engage in the following activities: (i) Harmonize environment and mining policies, laws and regulations to enable coordination between MMMR, EPA, NMA, National Revenue Authority (NRA) and Ministry of Finance and Economic Development (MoFED); (ii) improve coordination between NMA and Water Authority for implementation of the new Water Policy (under development) to ensure that water use, access, waste issues are adequately covered relevant to mining including prioritization of water use for citizens; (iii) Build capacity of EPA and NMA for Environmental Impact Assessment and Environmental Management Plan as a requirement for a license/lease; (iv) Support preparation of template for mine reclamation and closing, including the use of financial assurances; (v) Guide the preparation of content for inclusion of environmental assessment as part of any feasibility study for mining and mining-related activities; (vi) Build EPA and NMA inspection capacity for technical, environmental and health and safety standards; (vii) Support facilitation of environmental organizations (i.e., non-government organizations, community-based organizations) capacity to monitor environmental impacts of mining and related activities; (viii) Prepare simplified Strategic Environmental Assessment and reporting for artisanal mining.

Component-B Building Geological Infrastructure

There is a consensus that lack of knowledge about mineral resources potential hinders the development of a country’s resources and prevents them from getting the best value out of their resource endowment. A better knowledge of geological potential would contribute to reduce asymmetry of information that currently leaves governments in a disadvantaged position, while mining companies have superior geological mapping datasets that give them a privileged edge when negotiating concessions. In this context, this component entails completing the coverage of geological maps and acquisition of airborne geophysical data as well as to facilitate access to the information through an improved Geo-data Information Management System (GIMS); the expected outcome of this component is to provide basic and reliable geological



information necessary to facilitate the promotion of private investments in the mining sector, identify areas that may be reserved and to support the planning of the socio-economic development of the country.

The activities under this component will therefore include:

B1. Airborne Geophysical Survey – A geological survey map of Sierra Leone does not exist. An important part of a well-functioning minerals sector relies on the availability of geodata. As exploration continues to focus on deeper, more complex bodies, the need to conduct a regional nationwide airborne geophysical survey for Sierra Leone could not be over emphasized as it would assist in mapping out large areas quickly and to detect geological targets favorable for mineralization, i.e. to directly detect or target the mineralized environment or associated rocks, fault zones, water bodies and under cover sequences. The geology and mineral potential of the country cannot be properly understood without sub-surface investigative techniques including aeromagnetic surveys. Aeromagnetic maps allow visualization of the geological structure of the upper crust in the sub-surface, particularly the spatial geometry of lithological units and the presence of folds and faults which are useful in the search for structurally controlled mineralization such as gold, base metals and hydrocarbons. The process is also good to measure responses originating from mapping surveys to provide essential geological framework and, in areas of poor outcrop that may comprise the useful form of geological exploration. Target may be intended to detect or to define the geological or geophysical features of potential significance. Hence, the airborne geophysical campaign shall cover the entire country with density of data sufficient to support the new geological map of Sierra Leone. (i) Undertake regional airborne geophysical coverage of the country (aeromagnetic and gamma - spectrometric campaign) covering the entire country at a density to be determined; (ii) Process, interpret and manage generated data; and (iii) supervision of airborne geophysics campaign for quality control of flights and data.

B2. Geological Mapping and Geodata Integration The acquisition of the needed geo-data requires a detailed and careful sequential planning including: (i) Development of a clear policy on confidentiality and use of geodata data; (ii) Prepare a systematic inventory of all the available information, including reports for mining and oil and gas companies; (iii) Conduct a preliminary field evaluation in order to select the working scales, coverage, flight directions and altitudes, sampling density and other technical parameters as elements to be analysed, analytical techniques, remote sensing sensors, season of acquisition; (iv) Complement the current geochemistry mapping of the country; (v) Create partnerships and links with academic and technical institutions to enhance the Geological Survey research and development capacity; (vi) use generated data to prepare and update geological mapping at adequate scale (no less than 1:100.000 and ideally at 1:50.000), covering the entire country; (vii) Improve the presently existing GIMS system to store, manage, process, interpret and to integrate the information mentioned above; and (viii) supervision of geological mapping and geodata consolidation.

Component-C: Communities and Mining

There are approximately 300,000 artisanal miners in Sierra Leone, a sector that is mostly unregulated resulting that at least 50 percent of artisanal mining operations are illicit. The illicit status of the operations and the smuggling of the artisanal production continues to compromise the government revenue for the sector. Alluvial diamond mining underpinned earlier local patronage systems and, as recently as 2006, accounted for around 80 percent of Sierra Leonean diamond exports. As commodity price trends vacillate and deposits are depleted, artisanal miners have shifted from alluvial diamonds to higher-value minerals such as gold. The industry is particularly significant because it provides employment for men, women and youth in circumstances where there are few other opportunities to earn cash and support local livelihoods. To address these issues this component aims to support alternative livelihoods in mining communities as well as facilitate the implementation of improved artisanal and small-scale mining operational and environmental standards. This component will scale up and build on the successful implementation of the Life after Diamonds (LaD) project that piloted community-driven capacity building, empowerment, and participatory decision-making in ASM communities, aiming at enhancing social accountability, promoting closer cooperation on environmental and social challenges, increasing the participation, and enhancing the overall sustainable livelihoods of women and other vulnerable groups. It will also support the transition into alternative and more sustainable livelihoods, especially in the agriculture sector, for diamond ASM communities. As



ASM gold mining is relatively new to Sierra Leone there is a unique opportunity to formalize the sector and incentivize cleaner gold production through a “green gold” branding. Activities under this component include:

C1. Strengthening Governance in Artisanal and Small-Scale Mining – This sub component aims to: (i) support, strengthen and build on existing governance reforms; (ii) improve and enhance transparency in this sector (integration of the Artisanal and Small-Scale Mining as part of the general cadastral regime); (iii) strengthen communications amongst Government, artisanal operators and communities to identify beneficial business structures that may include umbrellas structures, mineral buying and others; (iv) support revenue collection and management at the local level; and (v) support the implementation of the new AM Policy which is currently in draft and expected to be approved by Cabinet in early 2017.

C2. Strengthening Health and Safety and Environmental Management – In order to improve the current hazardous conditions facing ASM miners, this sub component will provide support to GoSL and local government in the following key activities: (i) support health and safety guidelines for ASM; (ii) assessment and support of Environmental Governance; (iii) review of the Environmental Protection Agency (EPA) and National Mining Agency (NMA) to improve organizational efficiency and relevance through the establishment of key performance indicators; (iv) support education and training to ASM miners about the health hazards of thousands of abandoned mining pits; and (v) build capacity of ASM miners on health and safety issues.

C3. Green Gold Pilot – The objective of this sub component is to support a green gold pilot project with the potential for enhancing economic opportunities while supporting gender inclusiveness. This will include the following set of activities: (i) *Conduct study of gold value chain* – this is necessary to confirm the viability of the project and identify the value chain flow and ultimately, the end market; (ii) *Training of miners* on established procedures in line with “Fair mining” enabling the gold to be characterized as “green” with mining conducted in an environmentally friendly way; (iii) *Branding Strategy* to create an effective market differentiator allowing for a higher market value; and (iv) *Marketing and Promotion*, is an important step in the value chain enabling the establishment of brand awareness linked to Sierra Leone which is expected to drive demand. This pilot opens an important avenue for increasing community prosperity and enhancing livelihoods.

C4. Alternative Livelihoods in Mining Communities – The objective of this sub component is to leverage deep local knowledge and insights to enhance livelihoods in artisanal and small-scale mining communities, while increasing economic opportunities for women and other vulnerable groups. This project will identify viable gender inclusive pilot programs that will create alternative income generating activities in mining communities. These proposed community-led and directed projects will largely have an agricultural focus consistent with the government mandate and community preference. These activities will build on the successful implementation of the Life after Diamonds (LaD) Project, supported by the Japanese Social Development Fund (JSDF), which closed in August 2016, but provided valuable experience in implementing community based economic activities in ASM communities. Building on the successful implementation of the LaD Project the activities to be financed under this component include: (i) *Development of sustainable cash crops* examples for consideration include: Palm oil, Coconut, Spices, Nuts; (ii) *Horticulture* – holds tremendous opportunity for income generation and with a comparatively high return on investment for community members; (iii) *Bee Keeping and Honey Production* - given the fact that bee population is on the decline makes this opportunity particularly relevant and attractive; (iv) *Poultry Farming and Hatcheries* – This opportunity is well suited to mining communities and provides a reliable and secure source of nutrition (protein) to mining communities; (v) *Solar Installation*- especially in off-grid rural communities solar development maybe crucial for ongoing development; and (vi) *small-scale and rudimentary processing and manufacturing factories*. These projects have a high degree of sustainability and an equally high possibility of empowering women and youths in mining communities. Finally, enhancing livelihoods in mining communities in Sierra Leone will have an important stabilizing effect and will be a major contributor to advancing and maintaining peace and security.

Component - D. Project Management. This component aims to support the GoSL in managing and coordinating the Project and building its procurement, financial management, safeguards management, monitoring and evaluation capacity



through the provision of technical advisory services, training, acquisition of goods, and operating costs. An external support action to enhance and professionalized project management (certifications PMP, project server etc.) is envisaged besides the traditional project administration and coordination roles.

Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

As this is a Technical Assistance project, most activities will be carried out by consultants in Freetown. The airborne geophysical survey, which is included in Component 2, will be carried out for the whole country. There are no direct impacts from this activity which will not trigger any World Bank safeguards. Component 3, will be implemented in the area of Kono and has two main activities that will trigger some safeguards however, the activities proposed are pilot projects within well defined and small areas of impact. The exact location of these pilots will be defined during project preparation.

B. Borrower’s Institutional Capacity for Safeguard Policies

This project is a follow up project to EITAP 1 which was successfully implemented. The client's institutional capacity to address and mitigate any safeguard policies and/or issues is considered adequate based on past experience.

C. Environmental and Social Safeguards Specialists on the Team

- Demba Balde, Social Safeguards Specialist
- Gloria Malia Mahama, Social Safeguards Specialist
- Anita Bimunka Takura Tingbani, Environmental Safeguards Specialist
- Alidu Babatu Adam, Social Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Natural Habitats OP/BP 4.04	Yes	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	Yes	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	



Projects on International Waterways OP/BP 7.50	No
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Projects in Disputed Areas OP/BP 7.60	No
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E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Apr 28, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The required safeguard related studies will be ready by appraisal stage

CONTACT POINT

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APPROVAL

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