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FT REPORT - SIERRA LEONE

A test case for the recovery of failed states. Test case for failed states. Sierra Leone is gradually getting back on its feet after 11 years of havoc and its backers cannot afford for it to go wrong, writes David White.

**By DAVID WHITE
14 February 2005**

The worst damage can be seen in the eastern part of Freetown, overlooking the docks and Destruction Bay. Three years after Sierra Leone's conflict was officially declared over, houses stand in ruins, shelled, burnt or pocked by gunfire. But throughout the city the long job of reconstruction is under way. Churches, hospitals and administrative buildings are decked in wooden scaffolding. There is a new market and, near Government Wharf, a smartly painted, re-roofed central police station symbolises the restoration of public order.

Sierra Leone is gradually getting back on its feet after its 11 years of havoc. Roads, schools and clinics have been rebuilt. Exports are recovering. In a sign of increased confidence, the country has been declared ready to wean itself off United Nations military support.

The UN Mission in Sierra Leone (Unamsil), now down to about 3,000 peacekeepers from a peak of 17,500 a few years ago - at the time the largest force of its kind in the world - is preparing to leave at the end of the year after an expected further six-month extension. The UN has already handed back formal responsibility for security in all regions.

Sierra Leone has become a test case for the rehabilitation of failed states - arguably the hardest challenge of international development policy. A country rich in resources, with a population of manageable size, it is also one of the poorest and most broken down places on earth. Britain, the former colonial power, acting as its guardian and mentor, has been spending Pounds 100m a year on aid, training and security support in a nation of just 5m people. More confident of peace prospects here than in other West African trouble-spots, Sierra Leone's backers cannot afford for it to go wrong.

The conflict left tens of thousands dead and many more mutilated, and wrecked a large part of the country's infrastructure. Beginning with an insurgency launched from neighbouring Liberia in 1991 and feeding off Sierra Leone's diamond fields, it was a peculiarly brutal and complex war in which fighters frequently switched sides.

In its aftermath, President Ahmad Tejan Kabbah's re-elected government has set about overcoming its consequences. But for senior foreign observers and many Sierra Leoneans, it is another question to what extent the domestic causes of the war, and the social and political climate from which it grew, are being addressed. Bishop Joseph Humper, who chaired a Truth and Reconciliation Commission investigating what happened, lists the factors he says have been common to all governments "to this day": bad governance, endemic corruption, marginalisation, social and economic inequalities, nepotism and tribalism. "A chronic sore," he says, "requires a chronic treatment."

Sierra Leone is a nation of tremendous assets, a beautiful land of mountains and beaches, fertile soil and a wealth of minerals stored beneath it. Paradoxically, after a conflict notorious for its atrocities, in which rebel groups inflicted terror by hacking off limbs, it is still known as one of the friendliest countries in Africa, orderly and rather gentle, the kind of place where drivers stop for pedestrians. Sierra Leoneans take pride in being a society where Muslims and Christians get along, and where mixing takes place across tribal and religious boundaries.

The education system used to be renowned. Freetown's Fourah Bay College lays claim to being the oldest university south of the Sahara. But the war caused a mass exodus of professional and skilled people, only now slowly trickling back.

"When I think of the 1970s and how it is today," says Isatu Thorlu-Bangura, proprietor of a small restaurant and hotel business, "it's like a bad dream".

The UN Development Programme's human development index ranks Sierra Leone last of all the countries for which data are available, with life expectancy of 34 years, adult literacy of 36 per cent and the world's worst figures for infant and pregnancy-related deaths. The legal monthly minimum wage, recently increased, stands at about Dollars 14, less than twice the hourly minimum for adults in the UK and less than the price of a bag of rice.

A big divide exists between the Western Area around Freetown, site of the original colony for resettled slaves, and the "provinces", where a traditional system of land ownership by chiefdoms prevails. There are few large mechanised farms. The country has some of the worst roads in Africa, and its railways collapsed long before the war. Outside main towns there is no mains power, clean water, or telephone, and even some of the towns get electricity only on alternate days.

Still missing from the recovery is significant private sector investment, apart from ventures in mobile telephones and small-scale mining. In the absence of other investors, Chinese companies have made the territory their own, establishing a growing and diverse foothold.

Freetown's population has been swollen by young people leaving the countryside. Many missed school, lack basic skills and live in squalor on the streets. Three-quarters of those between the ages of 18 and 35 are reckoned to be unemployed. Ex-combatants, including former child soldiers, are an additional concern, in spite of a disarmament, demobilisation and reintegration programme completed a year ago. Among the unoccupied young, the feeling that the government receives aid but does nothing for them appears deep-rooted.

Mr Kabbah and his Sierra Leone People's Party won a landslide victory after the war in 2002, and his vice-president, Solomon Berewa, is being lined up to take his place at the next election in two years' time.

But a resounding defeat for the party in the capital last year, in the country's first local elections for three decades, showed up popular frustration.

In spite of an extensive military training programme, international officials also see potential problems in the country's oversized and under-funded army, pointing to internal tensions following the incorporation of former Revolutionary United Front rebels and dissatisfaction over employment conditions, barracks and equipment.

For now, the risk of sliding back towards disorder appears remote. There is no sign of any appetite for a return to fighting. Britain, whose intervention with a few hundred troops in 2000 played a decisive part in ending the war, provides reassurance through the military training mission and a commitment to deploy forces if needed at 48 hours' notice.

Importantly, the UN is now in control in next-door Liberia.

But Sierra Leone remains vulnerable to insecurity in the region, with possible knock-on effects from the crisis in Ivory Coast and growing signs of instability in Guinea, whose territory almost surrounds Sierra Leone's. In spite of conciliation efforts, a border dispute near the point where the two countries and Liberia meet remains unresolved. A contingent of Guinean troops occupies a vantage point on what Sierra Leone considers to be its side of the river.

On the domestic front, the government faces the task of regularising a largely informal economy. Revenue sources other than foreign grants, which pay for half of public expenditure, are limited. When the UK first proposed to donate a new fleet of police vehicles, it was discovered that maintaining them would take up almost the entire police budget.

Mr Kabbah says there is now scope for levying more taxes on diamond sales, to boost the government's stretched finances. The system of agreed controls aimed at ending the illicit trade in "conflict diamonds" has brought a much larger share of rough gem exports into official accounts, increasing by two thirds last year to Dollars 127m.

But this is reckoned to be only between a quarter and half of the total, and some of those registered exports may be diamonds from other countries laundered through Sierra Leone. The US keeps a watchful eye, although reports of al-Qaeda links with diamond revenues have not been substantiated.

The UN, in its blueprint for Sierra Leone's transition, voices concern about "the slow pace of reforms in critical areas", highlighting the justice system, which it describes as "largely in-effective".

The UK and other donors have been pressing the government to tackle official corruption more firmly, but have been reluctant to protest openly about it as they have in Kenya.

A focus of donor attention in its immediate post-war period, Sierra Leone needs sustained backing to consolidate its peace. A senior UN official estimates its annual aid requirements at Dollars 350m for the next few years.

"The major problem the country faces at present is that it is unable to raise the resources that a modern state needs, and on the other side, with the exception mainly of the British, all the major donors are phasing down their assistance," he says.

FT REPORT - SIERRA LEONE

Progress relies on donors' pledges THE ECONOMY: Foreign aid provides half the national budget, writes David White.

By DAVID WHITE
14 February 2005
[Financial Times](#)

The dice will roll for Sierra Leone at a meeting due to be held in Paris, probably in May, where donors will make their pledges of aid for the next three years. World Bank and United Nations experts estimate the country's financing needs over that period at between Dollars 800m and Dollars 1bn.

A senior UN official says willingness to fund the full amount "would send out a strong message to quite a number of other places in West Africa and take the country off the agenda (of crisis countries) for perhaps many years".

The country has seen a lot of improvements since its civil conflict was declared over in 2002, the official says. "But what we fear now is that if the international community cannot deliver the volume of assistance, all this could be compromised."

The fresh round of aid commitments follows the drawing-up of a poverty reduction strategy paper, the framework for debt relief and concessional support from the World Bank and International Monetary Fund. Sierra Leone has already reached debt relief agreements with most of its non-commercial creditors.

With foreign assistance providing half of Sierra Leone's national budget, the country relies heavily on external funds flowing into public sector projects. Aside from telecommunications and mining ventures, there is so far little momentum behind private sector investment.

Domestic savings are negative and economists say it is likely to take at least three or four years before growth in domestic income is sufficient to overtake consumption.

Sierra Leone is not so much a poor country - it has valuable mineral deposits, rich fishing grounds and large areas of arable land - as a country that has suffered from a long period of poor government.

Per capita income stagnated in the 1970s, declined in the 1980s and fell by about 40 per cent in the chaotic 1990s. Over the past 15 years the Leone currency has been devalued against the dollar by about 95 per cent.

Seventy per cent of the population is reckoned to be living below the poverty line of about Dollars 0.75 a day. It would require a "miracle", in the words of one international representative in Freetown, to meet the first of the UN's Millennium Development Goals and halve poverty by 2015.

The conflict not only damaged basic infrastructure and public services but also sapped the country's social capital through internal and external displacement.

Traditional trust-based savings mechanisms have almost ceased to exist, experts say, and a generation of young people has lost touch with farming skills.

With dismal pay conditions, the public sector faces a capacity shortage arguably more acute than that of investment resources.

The IMF has complained of "substantial difficulties in tracking financial transactions of the public and private sectors that are not routed through the central bank".

A public expenditure tracking survey found that only a fraction of the drugs passing through the public health system were accounted for.

However, in spite of recent signs of a deterioration in government finances, donor countries highlight in public financial management and procurement procedures.

Recovery has been under way since 2000 but experts say it has been relatively slow, especially in agricultural output and in mining activities other than diamonds.

In spite of a steep increase in figures for officially registered diamond exports, the country is far from fulfilling its export potential and has maintained a large deficit in its balance of payments current account.

The informal sector, which embraces most domestic business, also extends into external trade through diamond smuggling and an opaque fisheries regime. A recent IMF report says "a considerable portion of imports is financed by these unrecorded exports".

The most widely used growth figures indicate an increase in real terms of between 6 and 7 per cent in gross domestic product last year, in line with 2003, with expectations of a similar trend this year.

The IMF, using a new statistical series, records growth of 7.4 per cent in 2004 against 9.3 per cent in 2003 and much higher figures in the previous two years.

"If you are already at rock bottom the progress tends to be exaggerated," says Ahmed Ramadan Dumbuya, a former government minister and member of the National Policy Advisory Committee. The country needs to find ways of applying its surplus labour and under-used land resources, he says. But, he adds "the money to do that for the time being is beyond us".

With three-quarters of the population engaged in agriculture and with vast areas of arable land, Mr Dumbuya points to the need for roads and technological and financial support to enable the country to meet domestic food needs and build farm exports. Sierra Leone exported rice until the 1980s but now imports it.

However, cash crops that were virtually abandoned during the war, such as cocoa and palm oil, have been recovering and exports of ginger have begun under an experimental project.

The Sierra Rutile mine in the south-west of the country, yielding titanium dioxide for use in pigments and high-tech alloys, once a main source of government revenue, is due to restart production this year with US and EU financial backing.

The country is also hoping to reduce its crippling energy deficit by bringing a long delayed dam project, at Bumbuna in the north, into operation next year.

Kadi Sesay, trade and industry minister, is realistic about the challenges involved in generating more investment and growth. "It will take some time," she admits. "We know that it is a big task."

FT REPORT - SIERRA LEONE

On a mission to repair war damage INTERVIEW: When President Ahmad Tejan Kabbah took over 'there was nothing in the treasury, and what was there, was all in the red'.

By ANDREW CHILD and DAVID WHITE

14 February 2005

The colonial-era light railway line to Hill Station has long disappeared but the station sign is still there, marking the entrance to the presidential lodge, in a lofty position overlooking Freetown. A military watchtower tells the tale of why President Ahmad Tejan Kabbah chose to move in here after returning from 10 months in exile.

Mr Kabbah was first elected president in 1996, ousted by a military junta after little more than a year and reinstated the year after. In the post-conflict elections of 2002 he won a landslide victory with 70 per cent of the vote, bettering his first-term score of 60 per cent and backed by a large parliamentary majority. But he says he has no thoughts of trying again.

"I'm looking forward to my retirement," he confesses with an easy laugh. There has been speculation that he might stand down before the next election in 2007 to ease the path for vice-president Solomon Berewa. But Mr Kabbah, a widower who will be 73 this month, says he intends to serve out his term. "I think I would be betraying those who voted for me if for no reason I get up and say, 'I'm tired, I want to go'."

He has already retired once, at 60, when he moved back to Sierra Leone after a career as an international civil servant. He has spent much of his life abroad, studying economics in Wales before joining the administration in Sierra Leone, qualifying in London as a barrister, and serving almost 20 years with the United Nations Development Programme, based in New York and southern and eastern Africa.

Active in efforts to bring back constitutional rule, Mr Kabbah became a convenient candidate for the Sierra Leone People's Party as a northerner in a party drawing its support mostly from the south and east. A Muslim, married to a southern Catholic, he also embodied a religious balance.

Urbane and soft-spoken, Mr Kabbah sits with a television monitor on his desk that lets him check who is waiting outside to see him. In his remaining time in office, he says his main priority is repairing the damage from the conflict and improving the country's infrastructure. "Without electricity, roads, hospitals, schools, you can really do very little," he says. "At the same time we've been very busy trying to rehabilitate some of our industries. Very soon, the rutile mines and bauxite mines will start production. We have been working hard on food production and rehabilitating our export crops."

On the pace of economic reform, which donors want to see moving faster, Mr Kabbah is defensive. "I think they're probably expecting too much, or rather they're pointing the finger at the wrong people," he says. A new investment code had to be agreed with the World Bank. "That took a hell of long time before they could make up their mind, but we did not want to do anything outside the framework of the Bretton Woods institutions, because we needed them."

The government, he says, managed to obtain commitments from donors even while the conflict was going on. He is supportive of some of the plans promoted by the UK government for increasing aid flows to Africa and alleviating the debt burden, which represents a "sizeable bill" for a country like Sierra Leone. "When we took over there was nothing in the treasury," Mr Kabbah recalls, "and what was there was all in the red."

UK-led programmes for re-equipping and training security forces have done a "fantastic job" in lifting confidence, he says. "The police had only about 10 or 11 old bangers for vehicles, and no communication system. In no time, they had about 300 vehicles."

Concern now focuses on the country's two immediate neighbours Liberia and Guinea and the risk of a "spillover effect" from Ivory Coast, which borders both of them. "If the fighting continues on to Liberia or Guinea, and even if it doesn't, if it's not true fighting but the massive movement of refugees and so on, it will have some impact on our situation here."

However, Mr Kabbah expresses no qualms about the winding-down of the UN mission in Sierra Leone, which is expected to pull out its remaining troops by the end of the year. "We will miss them as friends but not for security reasons," he says. "If they have to go, we can manage."

While Mr Kabbah sympathises with investors' need for reassurance about security, concerns about corruption are clearly a sore point.

"Frankly, I have always viewed corruption as a two-way traffic. Say you want to invest in something here, and then you go and see an official and the official demands something from you, then blow the whistle, come to me and we will take immediate steps. But to go to the corner and start talking about it, that's not quite helpful."

Controls on the diamond trade, which was at the centre of Sierra Leone's conflict, have led to a steep rise in legally-registered exports to Dollars 127m last year compared with barely Dollars 1m five years earlier.

Mr Kabbah discloses a plan to levy more tax from the sector. Until now, higher taxation on diamond exports was ruled out on the grounds that it would encourage people to smuggle gems to other countries and export them from there. But the controls enforced under the international Kimberley certification scheme, Mr Kabbah says, mean it is no longer necessary to keep the export tax at 3 per cent. There is scope for an increase to raise funds for development.

"And that's the way we're going to move."

FT REPORT - SIERRA LEONE

Initiatives aim to make doing business easier INVESTMENT: Andrew Child reports on steps taken to simplify procedures, which have succeeded in attracting investment in three areas.

**By ANDREW CHILD
14 February 2005
Financial Times**

In a country where the infrastructure is so decrepit that even the president's lodge cannot be guaranteed a continuous supply of electricity without the help of a generator, attracting investment is a struggle.

Yet it is because of this desperate need to improve even the basics in Sierra Leone that the country is in dire need of the revenue that is generated by foreign business investment.

It is against this back-ground that the government is taking a number of important steps to attract investors, not least because of pressure from international donors to see their goodwill bear fruit.

The main area of progress is in attempts to remove bureaucratic barriers and to provide a range of incentives to business. One of the prime initiatives in this area has been the establishment of a one-stop-shop to ease the time and effort required for a business to set up in the country.

This is provided free of charge through the Sierra Leone Export Development and Investment Corporation (Sledic).

"We are trying to make doing business as simple as possible by providing a one-stop-shop to assist visitors with registering a business, obtaining the necessary permits and licences and things like opening a local bank account," says Chris Jasabe, Sledic's managing director.

The agency has sought to speed up the sometimes lengthy process of business registration and aims to guarantee completion within seven days. Sledic also aims to provide a range of services beyond this to assist with the operational side of the business, ranging from helping to sort out locations, land and factories to detailed market research and the identification of potential joint venture partners.

A study of administrative barriers is being carried out with the help of the foreign investment advisory service of the World Bank. The third piece of this jigsaw puzzle is the Investment Promotions Act 2004, which sets out investor guarantees as well as a range of incentives. The latter include 10-year exemption from the standard corporate tax rate of 35 per cent for investors in large-scale agriculture, the removal of minimum capital requirements and the duty free materials and machinery required for use in tourism projects.

Sierra Leone is also looking at more women friendly business incentives to boost activity in areas such as textiles and a revision of the Companies Act (1889) was brought into force to extend credit facilities to women.

Given the recent nature of most of these initiatives, it is too early to gauge their success or likely success. Nevertheless, Sierra Leone has succeeded in attracting investment in three areas.

These are mobile telecoms, agriculture and fisheries and mining of rutile, a mineral used in the production of paint. Mobile telecoms investment seems to have been pulled off, in spite of a mountain of infrastructure and regulatory problems and mobile telephones appear to be quickly overtaking landlines as the main and most reliable means of voice communication.

The market is dominated by pan-African Celtel, which secured one of four licences originally issued in 1998 and began operating in 2000.

Having invested about Pounds 30m, Celtel, together with smaller rival Militel, has secured 70 per cent of the market with 100,000 subscribers covering the big towns and expansion continues apace with the company looking to invest a further Pounds 10m to set up about 30 base stations this year to improve coverage on the country's main arteries.

Mobitel, once Celtel's main competitor, recently closed after struggling to make a profit in five years of operations. David Hunter, managing director of Celtel, says that, above all, the market needs a regulator if investment is ultimately to succeed.

"The number of licences is being increased to seven, but there isn't the spectrum. We have saturation with four licences. The government doesn't seem to care if companies fail as long as they pay the Pounds 250,000 for a licence. It is not like opening a corner shop," he says.

As to the infrastructure, he adds: "This is certainly one of the most challenging countries to work in. Energy supplies are getting worse, so we have to run two generators at every site. Then we have to run a fleet of 20 vehicles on the worst roads in Africa. It all adds to the costs."

In terms of agriculture - the mainstay of the economy - the government is trying to achieve four things. It is aiming to revitalise the cash crops of cocoa and coffee, it is trying to meet President Ahmad Tejan Kabbah's pledge to produce enough to feed everyone by 2007 through boosting the domestic production of rice, it is considering producing non-traditional crops to meet the needs of export markets and it is developing more agri-processing to add more value to what is produced.

While all of these areas are attracting investment, particularly from the EU, it is in the area of fisheries that the government appears to have achieved the most visible success, attracting significant investment from Egypt to establish inter-national standard facilities to handle and process what is considered to be an abundant resource.

Most attention is, however, focused on the anticipated resumption of the mining of rutile. With Sierra Leone considered to have the world's largest reserves, commentators see it as having the potential to exceed diamond revenues.

It once accounted for more than 25 per cent of the world's production and a third of domestic exports as well as being the country's largest private employer. However, the war halted production in 1995 and vandalism of machinery left the sector in need of rehabilitation.

In August 2004 the EU came up with the additional funding that was required to re-establish operations, when it agreed to provide a Euros 25m loan to Sierra Rutile, a consortium of US and European interests founded in 1979, which had operated the main rutile mine in the Bonthe district.

This followed a similar amount which came from the Overseas Private Investment Company of the US. Production is expected to resume this year.

FT REPORT - SIERRA LEONE

Attractive sweeteners are needed to underwrite corporate risk - PRIVATISATION - The government timetable has been stretched by financial and other constraints, writes Andrew Child.

By ANDREW CHILD

14 February 2005

Financial Times

In 2002, an act of parliament was passed to set up a National Commission for Privatisation to restart 17 years of faltering attempts at selling off state entities.

With a strong policy-making remit, a nine-man board drew up a list of 24 companies "ripe for privatisation" and broadly drawn from four sectors - finance, utilities, commerce and transport.

In spite of facing an original programme completion date of early 2006, none of the companies has yet been privatised. Even with a revised target of 2010, the signs do not look good.

The idea is clear enough: privatisation is needed to attract much needed capital investment into a failing economy and, perhaps more importantly, bring in the necessary know-how to bring about efficiencies and other transformations.

This second point is all too apparent to A.R. Touray, NCP chairman, particularly in the face of demands for Sierra Leonean assets to remain in the ownership of the people.

"The right message is for foreign direct investment. We are aware of the necessity of some ownership going to our people but we need new techniques, new skills from foreign investment. We can't do this by ourselves and there is a real need to educate the public on this."

Mr Touray also identifies a loftier aim: "The development of the private sector should also strengthen the democratic political process," he says.

However, the state of the world economy since 2002 has not been conducive to the sort of speculative investment that the NCP may have anticipated and its own timetable has been stretched by financial and other constraints.

"It is a protracted costly process," says Mr Touray. "We thought some (companies) would be easier than others, but they are all difficult."

As a 2003 commission report on its strategic plan highlights, required funding - put at more than Dollars 12.5m - is by far the most immediate and debilitating problem affecting the programme.

"The current activities of the NCP are incapable of providing any meaningful source of income," it states. "Private sector investment is unlikely to be attracted to the privatisation programme in the absence of attractive sweeteners to underwrite the corporate and sovereign risk associated with their potential investment."

It also goes on to identify the threat of industrial unrest associated with the downsizing of prospective companies and the need for the government to underwrite any social cost.

Delays caused by the need to lay proposals before parliament for 21 days and the possibility that some proposals may require legislation are also cited.

But what the NCP is dealing with is the extent of reform required before most companies can be offered for sale.

To this end, the NCP has been directing efforts towards setting up a regulatory framework, and steps have been taken to establish a Public Utilities Regulatory Agency.

Thought is also being given to a multi-sector regulator. Other areas of progress include the de-linking of non-core activities at the Sierra Leone Ports Authority (SLPA), as well as restructuring of management both here and at the housing corporation, road traffic corporation and state lottery.

Of course there is a limit to the expertise available to restructure prior to an offering so the NCP is looking at a more incremental approach to privatisation with the offering of management contracts and other forms of public/private partnerships.

There is now an increasing sense of recognition that this may be as far as the process goes for many of the intended targets.

Such an approach may prove the only hope for the ailing National Power Authority, the area perhaps most in need of foreign management expertise and the prime infrastructure impediment to investment in other areas as well as improving the quality of life of the general population.

In spite of injections of cash from donor countries, most recently Dollars 10m from South Africa, the electricity sector is in a worsening state. Only the capital, Freetown, has any kind of access to a grid supply. But even this is increasingly patchy and intermittent and rationing has proved essential.

Freetown's requirements are estimated at 33MW, yet the costly nearby Kingtom oil-powered generating station is struggling to provide even half of that in spite of some upgrading.

These problems have been compounded by management problems, including a poor customer database and revenue collection.

Furthermore, the first phase of the Bumbuna hydro-electric project, which is located 240km from Freetown and intended to supply the capital and northern parts of the Northern Province won't be completed for 15 months.

Talks are being held with Eskom Holdings the South African power utility, to agree a management contract for the authority as well as undertake refurbishment work and provide technical consultancy.

The most likely candidate to achieve something approaching full privatisation is Rokel Commercial Bank, which came into operation in 1998 after Barclays Bank sold its assets to the government for the nominal sum of Pounds 1.

In December 2004, applicants were invited by the NCP to submit written statements of interest in the bank, perhaps optimistically described by Mr Touray as "the crown jewels".

But with the bank said to hold "real equity" - a rare thing for a state enterprise in Sierra Leone - this might not be too wide of the mark. Relatively speaking.

FT REPORT - SIERRA LEONE
Trials off to mixed start -- SPECIAL WAR CRIMES COURT -- Officials warn about the potential for trouble making, writes David White.
By DAVID WHITE
14 February 2005
Financial Times

Behind high grey walls topped with razor wire, the purpose-built court compound in Freetown represents a new approach to the handling of war crimes. But to ordinary Sierra Leoneans the Special Court's value is as yet uncertain, the most wanted figures having either died or fled.

The court, which started trials last June, was designed to provide a shorter and cheaper process than other international tribunals, giving people the opportunity to see international law applied on the spot. But its beginnings have been surrounded by controversy and questions about its scope and relevance.

It was set up as an innovative hybrid, a joint venture between the United Nations and the Sierra Leone government. Apart from the post-second world war Nuremberg and Tokyo trials, it is the first of its kind established within the country concerned.

As the trials proceed, senior government officials warn about the potential for trouble-making by some of the factions involved, and rank this as one of the country's chief security concerns.

The idea when it was created in 2002 was that a local court, backed by international authority and legal capacity, would be more efficient in dispensing justice than an external tribunal. It was meant to avoid the costs and delays associated with the international tribunal for former Yugoslavia in The Hague and the Rwanda tribunal in Arusha, Tanzania.

Not a full UN court, it relied instead on contributions from 33 individual members, led by the US, Britain and the Netherlands. This distinction had the advantage of freeing it from some bureaucratic constraints, but the drawback of not providing a mandate under Chapter 7 of the UN Charter, invoking UN powers to oblige other countries to co-operate.

Finance has been squeezed. Voluntary funding ran out last year and the UN has had to make up the gap. "We've demonstrated that we can lower the bar in terms of cost," says court registrar Robin Vincent, a former UK regional administrator. Spending of Dollars 81m for its first three financial years would be considerably lower than the cost of the Rwanda tribunal in a year.

David Crane, the US chief prosecutor, whose flamboyant verbal style has added a show business dimension to the proceedings, has set out to break new legal ground, for instance by establishing forced marriage as a crime against humanity. But the mixed court has so far proved a mixed success.

It is questioned principally because of the small number of people in the dock and the absence of Charles Taylor, the former Liberian president accused of fomenting the 11-year conflict in Sierra Leone in exchange for plundered diamonds. The Liberian-backed Revolutionary United Front (RUF) is held to blame, not only for starting the conflict but for giving it its horrific signature, inflicting terror by cutting off hands, arms, feet, legs, lips or ears.

In the opening trial stages, many were shocked to discover the main defendant was not from the rebel camp but from the government - Sam Hinga Norman, indicted as co-ordinator of tribal militias in the pro-government Civil Defence Forces and commander of the notorious cult-based Kamajors. Mr Norman was deputy defence minister late in the war and subsequently interior minister.

The defendants' list breaks down into three groups of three, representing the Civil Defence Forces, the RUF and the Armed Forces Revolutionary Council, the junta that seized power between May 1997 and March 1998. The trial of this third group is expected to start next month, when a new second trial chamber starts operating.

The court's remit was restricted to those alleged to bear "the greatest responsibility" for organising atrocities, and to crimes committed since November 1996. It was widely thought this would involve between 20 and 30 indictments but only 13 were issued. The death in 2003 of two chief protagonists - RUF field commander Sam "Mosquito" Bockarie, killed in Liberia, and Foday Sankoh, the movement's leader, who was in prison awaiting trial - reduced the number to 11. Of these, military junta leader Johnny Paul Koroma is missing, believed dead, and ex-president Taylor has been sitting in exile in Nigeria.

The indictment against Mr Taylor was issued in March 2003 and unsealed three months later, at an extremely delicate time in Liberia's peace process. It seemed the move might upset plans for persuading the Liberian president to leave office and make way for a transitional government. To help the peace effort, Nigeria gave Mr Taylor asylum in August that year, and has said it will grant extradition only if requested by a democratically elected Liberian government. But some observers believe a formula may be found for extraditing him directly to Sierra Leone. "I do think there is a prospect of us getting Taylor," Mr Vincent says.

Also controversial was the decision to hold a South African-style Truth and Reconciliation Commission at the same time, gathering testimony from victims and perpetrators of atrocities to piece together a historical record.

Mr Vincent recognised that "the planning stage for both institutions was not as thorough and comprehensive as it could have been".

The commission found some people reluctant to testify, even though court prosecutors promised they would only use evidence from their own investigations.

Like the court, the reconciliation exercise was prey to funding problems and scepticism. The four Sierra Leoneans on the seven-member commission were widely regarded as too sympathetic to the government. When it produced its four-volume report in October, a year later than planned, only 10 sets were delivered.

The delay in public distribution was at first blamed on printing problems in Ghana. But President Ahmad Tejan Kabbah said the report was having to be amended after "disagreements" in the commission.

In spite of the difficulty of running the court and reconciliation process simultaneously, commission chairman Joseph Humper, a United Methodist bishop, says they are "one coin with two faces: one of them is justice and the other peace."

FT REPORT - SIERRA LEONE

Slow progress in anti-corruption fight GOVERNANCE: 'If you're put in government and you don't steal, your whole family gets angry with you.' David White reports.

By DAVID WHITE

14 February 2005

Financial Times

Sallieu Konneh, a 21-year-old Freetown student, shuffles a stack of CDs, mostly by Sierra Leonean rap artists, that he is trying to sell. He points out the tracks dealing with the subjects of poverty and corruption and says the protest songs help to bring pressure against those who have been illicitly enriching themselves at others' expense. "Music," he explains, "is the way we talk to the government."

Allegations of misappropriation in high places have been a constant theme of Sierra Leone's troubled political history. While the government puts the main blame for the country's long civil conflict on greed for diamonds and foreign interference, its Anti-Corruption Commission points to other causes within Sierra Leonean society, "in the way institutions of state had been used for private gain, had been made to serve personal interests, had failed to create opportunities for the young." As Sierra Leone puts the conflict behind it, the issue of corruption continues to rankle.

When the commission was set up five years ago, President Ahmad Tejan Kabbah promised that "nobody will be above the law, including myself". But the commission, jointly funded by the Sierra Leone government and the UK's Department for International Development, has had a difficult time.

Its chairman Valentine Collier, a respected former senior civil servant, has not shied away from making enemies, and the signs are that he is likely to be replaced when his contract expires later this month.

The commission's meagre results have attracted wide criticism.

Depending up to now on the attorney general's office to press ahead with any prosecutions, it has a long backlog of outstanding cases. It has so far failed to bring any top-level prosecution to a successful conclusion. A minister convicted over diamond mining activities had his sentence overturned on appeal.

Although some ministers have been supportive, political backing for the commission's work has been mixed. "We could have moved far faster," Mr Collier complains. The commission's investigating resources have, however, been beefed up, with a British deputy seconded from Kent police. Recent probes involve several current government members.

A significant step has been taken with the appointment of two special prosecutors from Ghana and Uganda, in addition to four expatriate judges. But one of the new prosecutors was initially blocked on the grounds he was not qualified to practise in Sierra Leone. The law on legal practitioners was duly amended with retroactive effect, but then the appointment was held up a second time.

The commission complained in one report about the "lukewarm attitude" of Sierra Leone's judiciary and a lack of interest from parliament. It said the public had developed a "healthy mistrust" of the legal system.

In an effort to raise awareness, it recently staged an essay, poetry and poster competition in schools and colleges across the country on the theme of "how corruption affects me".

A prominent poster campaign has also been organised by the National Accountability Group, a non-government body set up with backing from the Soros Foundation and the National Endowment for Democracy in the US and linked to Transparency International, the Berlin-based anti-corruption organisation.

In one poster, in the naïf style favoured for advertising in Sierra Leone, a figure representing the government wields a broom to enforce reforms in the security forces, justice, procurement and the public sector. A policeman and a soldier are taking flight, a judge has lost his wig, and a businesswoman lurches forward over a civil servant who is down on his back.

In another, Sierra Leone is depicted as a car waiting to fill up at the donors' station. But the petrol from the car's tank is being siphoned off into private assets and the donors' station is closed.

"Corruption in this country is like a way of life now," says Emile Carr, the group's chairman, an accountant with a background in UK insurance.

Asked if the situation has improved, his answer is a straightforward "No".

"You need to net a big one as a deterrent," comments a senior international official in Freetown. "But you can't do it."

Allegations of irregularities surface in some of Freetown's many newspapers, up to a dozen of which appear on any given day. But the government rarely responds to them.

"Things have really gone from bad to worse, ironically since the Anti-Corruption Commission has started," says Olu Gordon, editor of Peep!, an irreverent twice-weekly publication that has been prominent in exposing alleged misuses of power.

"The fact that there is an Anti-Corruption Commission and it's not really doing anything increases the sense of impunity among those that are engaged in these activities."

International donors, led by the UK, have preferred to tackle the authorities on the issue behind the scenes rather than in public.

But, to many people, the evidence of conspicuous wealth and lifestyles not commensurate with salaries is all too blatant.

"Embassies can read the riot act, but then nothing happens," complains Zainab Hawa Bangura, the National Accountability Group's vociferous executive director, who stood as a candidate in the country's last presidential elections.

She calls for more action on prevention and financial disclosure, especially in state companies.

Corruption, she says, has become institutionalised since the time of Siaka Stevens, who was in power from 1968 to 1985. It is driven by social pressure. "If you're put in a government office and you don't steal, your whole family gets angry with you."

FT REPORT - SIERRA LEONE

Big effort to shake off a bloody past - DIAMONDS: Rebel control of diamond fields helped to fund and sustain the conflict and helped secure Liberian backing. Andrew Child reports.

**By ANDREW CHILD
14 February 2005**

It is perhaps a sign of the huge sensitivity surrounding the subject of diamonds in Sierra Leone when it proves much harder to get an appointment with an official in the department of mineral resources than it is to seek an audience with the president. "Misunderstandings" over the timing of appointments and department members seeking bribes to "speed things up" are just some of the obstacles to be overcome before finally meeting Alimamy Wuri, director of mines.

Such sensitivity is understandable given that Sierra Leone is synonymous with terms such as blood or conflict diamonds. Diamonds have been cited as one of the prime causes of the devastating 11-year civil war that began in 1991. The rebel Revolutionary United Front (RUF), in part made up of itinerant diamond diggers, claimed the need to tackle the corrupt diamond economy as one of the main reasons for its insurrection. Rebel control of the diamond fields helped to fund and sustain the conflict. In addition, outside interest in a cut of diamond revenues helped secure the backing of Charles Taylor, the then Liberian president.

The United Nations responded to the situation in 2000 by imposing a qualified diamond embargo on Sierra Leone. More recently, Sierra Leonean diamonds again caught international attention with claims of al-Qaeda smuggling activity. However, diplomats have told the FT that, while there may have been some evidence of fleeting activity prior to 2000, there is none of any current activity. But the situation continues to be monitored. The government sought to deal with problems of smuggling and bring an end to the UN embargo by first setting up a domestic programme of diamond certification before subsequently signing up to an internationally agreed scheme of certification, known as the Kimberley process.

As evidence of the success of this process, the government points to the near year-on-year doubling of official diamond revenues since 2000 to last year's figure of Dollars 126m. In terms of illegitimate revenues, the government acknowledges "a few million".

As Mr Wurie acknowledges: "We're trying to convince people to stop smuggling but it's not easy. We lack the logistics. There are simply not enough officers to monitor it. Alluvial diamonds are scattered all over the country. We've been overstretched."

While most in the industry acknowledge progress has been achieved, they are much more circumspect, pointing to increases in the price per carat as a mitigating factor.

There are some claims of price manipulation as well as manipulation of inventories to mask the extent of illegitimate trade, but whatever the truth of this, most experts put the legitimate revenues at between a quarter and a third of total revenues.

There is persistent industry speculation that a diamond went "missing" from the country last year with a valuation of up to Dollars 70,000. The market in Sierra Leone is dominated by small scale mining of alluvial deposits, with just one industrial-scale mining operation run by Koidu Holdings.

In terms of output, in the 11 months to November last year, the official figure was put at about 643,000 carats. This compares with 2m carats annually during the peak years at the end of the 1960s. Against this background, the government is desperately seeking large scale investment and the involvement of a big name such as De Beers, both of which have proved elusive.

But there are some positive signs. In May last year, Mano River Resources, a British-Canadian listed prospecting group announced a Dollars 3.4m joint venture with BHP Billiton for exploration of a 9,700 square mile area in the south-east of the country. In addition, Mano expects to start production from a Dollars 3m hard-rock kimberlite joint venture next year in the Kono district. The government offers a number of incentives, such as the duty-free import of exploration equipment. Nevertheless industry analysts cite regulatory problems and transparency issues as barriers to investment.

In particular, because of the largely informal nature of the industry, potential investors lack sufficient market data on which to base their decisions. Donors such as the International Monetary Fund have also highlighted concerns over "special agreements" between the government and investors that may deviate from industry norms. There is also the issue of the need for the government to weigh diamond tax revenues against investor incentives.

This is potentially a huge issue in the coming months with President Ahmad Tejan Kabbah having indicated in an interview that he intends to raise the current industry standard rate of 3 per cent for diamond export duty. "Because of this new system, the Kimberley process, it is no longer attractive for people who were doing the smuggling," says Mr Kabbah. "So this is the time for us to increase our export duty on diamonds so we can raise more funds for our development projects."

But the line from the ministry is that rates are staying at 3 per cent. "We don't want to destroy the momentum," Mr Wurie explains. Still, the amount the government receives from diamond levies and licence fees remains relatively small. The real benefit is in the numbers employed in diamond mining - the third largest employer in the country - and in the services that grow up around that employment.

It is to the mass of artisanal workers that the government seems to be shifting its focus, both to temper unrest over work conditions and mitigate some of the factors involved in smuggling. A quarter of diamond export taxes are reinvested in communities in the form of development grants, as is a proportion of money from licences.

There are the beginnings of meaningful infrastructure development such as schools and roads, as well as projects aimed at helping diggers and other artisanal workers set up mining co-operatives and educating them to get a better price for their finds.

Some of this pilot project work is being carried out by USAID-backed Peace Diamond Alliance, whose project leader Paul Temple explains: "It's been very successful. We're trying to get them to identify what kind of stone they have and to have an idea of general value. We're removing the cloud of mystique surrounding diamonds."

FT REPORT - SIERRA LEONE

China leads the way, building on ties that go back 30 years CHINESE INTEREST: Relationship can be seen in some of Freetown's architecture. Andrew Child reports.

By ANDREW CHILD

14 February 2005

Financial Times

In terms of business investment, it is the Chinese who appear to lead the way, with by far the most conspicuous presence of any country in Sierra Leone. Some comment that it is the only real identifiable investment there

Much evidence of the relatively long standing nature of this interest can be found in the architecture of some of the larger buildings of Freetown, the capital. Some Chinese investment in Sierra Leone began as early as the 1970s and gradually gathered pace before the civil war prompted a withdrawal.

The Chinese were convinced by the Kabbah government in 2002 to pick up where they had left off and investment gathered momentum again. Initially, this took the form of the rebuilding and refurbishment of a number of mostly Chinese-built buildings in Freetown, including the 60,000-capacity national stadium complex, the Chinese-named Youyi building housing most of the government ministries, and the army headquarters. Perhaps most symbolic, though, has

been the rehabilitation of the prominent Bintumani Hotel which was occupied and partly destroyed by rebel forces during the civil war.

The Beijing Urban Construction Group, which has agreed a 25-year lease with the government, completed work on the now Chinese-themed 11 acre site in December 2002. Work continues to upgrade the site with plans to build a casino there.

Another project the Chinese are revisiting is the Magbass Sugar Complex - the country's only sugar-producing enterprise. China helped to establish the facility, which consists of a sugar-cane farm and mill, in the 1980s and it produced a yearly output of about 6,000 tonnes a year.

In January 2003, a lease contract was signed between the government and the Chinese National Complete Plant Import and Export Corporation and production is expected to start again this year.

There is also long-standing and increasing interest in other areas of agriculture, such as rice technology where Sierra Leone is making progress toward meeting food production targets. In fisheries too China has a historic presence, two companies having signed contracts of mutual benefit in the mid-80s. China also cites a tractor assembly factory at a former brick works in the east of the capital as one of its big investments.

But the real focus of interest is this month's opening of a trade zone in the area of the former National Workshop in the eastern Cline Town district of Freetown. The scheme has involved the specialised refurbishment of a transport depot and metal workshop by China's Henan Guoji.

Fifteen or more Chinese companies are eventually to occupy the site. A number already do with activities as diverse as the manufacture of building materials, pharmaceuticals, mattress-making and garage diagnostics.

However, Henan Guoji's next project, a Dollars 266m scheme to revitalise the ocean-front of Freetown's Lumley beach area is possibly the most ambitious and certainly largest development project so far planned for the country.

An agreement signed with the national tourist board in May 2004 outlines a plan to build a 250-bed luxury hotel complex and conference centre, holiday apartments, town houses and a promenade. Plans in the pipeline also include the building of a mini sports stadium in the southern provincial capital of Bo.

The relative boldness of China to jump in where other countries fear to tread has puzzled some commentators, not least in Sierra Leone itself, and has been the subject of speculation over a possible long-term strategic interest in oil.

However, the Chinese themselves and government ministers point to a number of factors. Chief among these are the long-standing ties between the two governments, aided by the willingness of Sierra Leone to help China return from the diplomatic wilderness three decades ago. "Bilateral relations are very good," says Zhao Zhongqui, the Chinese embassy's economic and commercial counsellor. "Sierra Leone helped China re-enter the United Nations in the 1970s and the Chinese people will never forget friends like these. They have supported us on many important issues," he says.

Such a relationship seems to provide the bedrock of Chinese investment with all activity appearing to be coordinated at governmental level and facilitated by an series of high-level diplomatic and trade missions. But there is also a sense of a shared understanding of developmental issues, which other countries may lack.

Mr Zhongqui adds: "Both have been developing countries, and now we are helping Sierra Leone to develop quickly to maximise prosperity. Thirty years ago China's gross domestic product per capita was lower than Sierra Leone's is now, so we understand the issues."

Of course Chinese investment does not arise purely out of political and altruistic motivation. Although much of the investment is characterised by Sierra Leoneans as high risk, there appear to be a number of factors at play. The Chinese are clearly taking advantage of a low cost base in terms of cheap basic labour and the low cost of many raw materials. This sometimes has to be weighed against the added cost of Sierra Leone's much publicised infrastructure problems.

Perhaps most importantly, the Chinese appear to have a definite "first in" approach to the different sectors in which they are interested, which has been used to leverage coveted special inducements from the government. Such an approach, combined with similar initiatives in other West African countries, allows Chinese companies an early domination of fledgling domestic and regional markets as well as certain competitive advantages on the wider international stage.

"Government policy was very encouraging. We found companies at an early stage were given very preferential policies. The early bird catches the worm."

While Chinese investment is broadly welcomed in Sierra Leone, there are some reservations about the special incentives awarded Chinese companies as well as the limited training of indigenous workers and the extent to which the Chinese might be using the country as a dumping ground for cheap goods.

Chris Jasabe, managing director of the Sierra Leone Export Development and Investment Corporation is one of those with concerns. "All investors should be treated the same," he says. The problem is that investors come in and take risks and demand concessions that might not be applicable. Then everyone else starts asking for them. We are trying to put a stop to this." The greatest downside is Sierra Leone's reliance upon Chinese investment and what happens if renewed instability prompts a complete withdrawal.

**FT REPORT - SIERRA LEONE
A HISTORY IN BRIEF.
By David White
14 February 2005
Financial Times**

1460s Portuguese navigators arrive.

1787 Land purchased for settlement of freed slaves.

1808 Freetown area declared British colony.

1896 Remainder of Sierra Leone made British protectorate

1961 Independence.

1967 Siaka Stevens' All People's Congress wins election, prevented from taking power by military coup, followed by second coup. Stevens goes into exile.

1968 Stevens returned to power after another coup.

1971 Country declared republic.

1978 Becomes one-party state.

1985 Stevens steps down.

1989 Civil war starts in Liberia.

1991 Guerrilla campaign starts with Liberian backing. Rebels take much of eastern country.

1992 April Military coup led by Captain Valentine Strasser. National Provisional Ruling Council takes over.

1996 January Strasser overthrown in palace coup. March Multi-party elections. Ahmad Tejan Kabbah of Sierra Leone People's Party becomes president.

1997 May Kabbah flees in violent mutiny by junior officers sympathetic to rebels. Armed Forces Revolutionary Council takes power, led by Major Johnny Paul Koroma.

1998 February Nigerian-led West African Ecomog force arrives, ousts junta leaders.

1998 March Kabbah reinstated.

1999 January Rebel assault on Freetown, "Operation No Living Thing". July Peace agreement signed in Lome, Togo, offering cabinet posts to rebels.

Nov UN mission (Unamsil) deployed.

2000 April Ecomog forces leave.

2000 May UK forces deployed to Freetown to buttress Unamsil after attacks on peacekeepers.

2000 November Abuja ceasefire agreement negotiated.

2001 May Second Abuja agreement.

2002 January Disarmament officially completed, war declared over.

2002 May Presidential and parliamentary elections. Revolutionary United Front rebels take part but is defeated. Kabbah re-elected in landslide.

2002 July Truth and Reconciliation Commission inaugurated.

2003 January Apparent coup attempt, attack on armoury.

2003 June Special Court prosecutors unseal indictment against Liberian President Charles Taylor. July RUF leader Foday Sankoh dies in prison awaiting trial.

2003 August Taylor steps down, given asylum in Nigeria.

2004 May Local elections: governing SLPP party defeated in Freetown.

2004 June trial begins of those alleged to bear "the greatest responsibility" for war crimes.

2004 October Truth and Reconciliation Commission report. Only 10 copies distributed.