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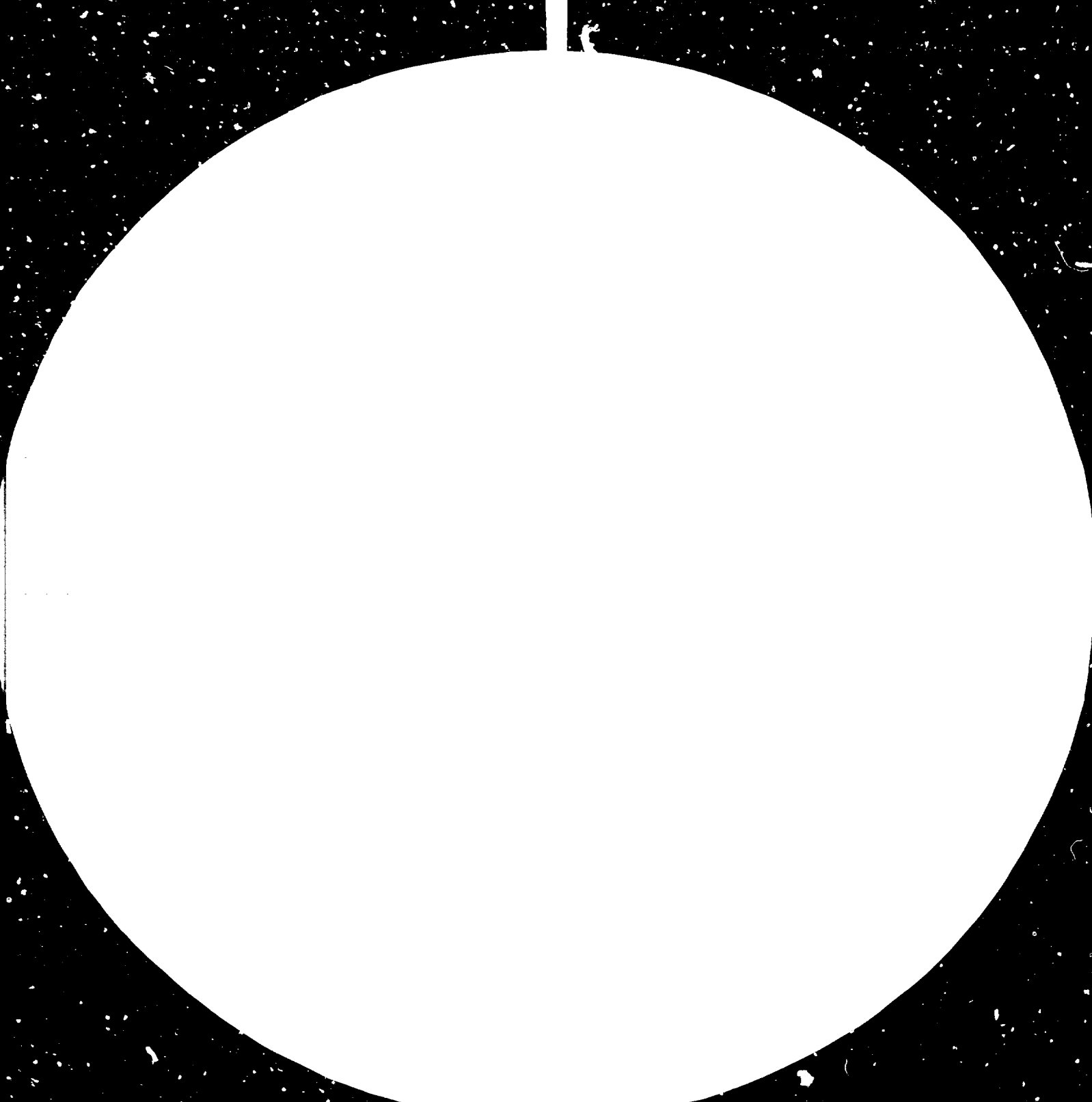
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PREPARATION OF INDUSTRIAL PROJECT PROFILES

US/INT/78/116

SIERRA LEONE

Mission report *

Prepared for the Government of Sierra Leone
by the United Nations Industrial Development Organization

Based on the work of Talaat Orfaly, UNIDO consultant

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Part I

The consultant during his mission in Freetown met the following personalities:

International staff:

Mr. B. Halbert, Resident Representative	-	UNDP
Mr. A.M. Sallah, Deputy Res Rep	-	UNDP
Mr. I.F. Contreras, SIDFA	-	UNIDO
Mr. N. Eiratsuka, Assistant Res Rep	-	UNDP
Mr. D.W. Webber, Administrative Officer	-	UNDP
Ms. I. Anderson, JPO	-	UNIDO
Mr. S.S. Ali, Industrial Economist	-	UNIDO
Mr. A.S. Nazir, Industrial Engineer	-	UNIDO
Mr. T.J. Watt, Power Dev. Engineer	-	UNDP
Mr. G.E. Williams, Economic Integrat. Off.	-	UNCTAD

Ministry of Trade and Industry

Mr. Y.T. Sesay, Permanent secretary to the minister
Mr. King, Principal industrial Dev. Officer
Mr. S. Benya, Coordinator and local counterpart

Ministry of Development of economic planning

Mr. E. Tuboty-Metzger,	Director central planning
Mr. R. Johnston,	Senior Dev. and planning officer
Mr. P.J. Senesi,	Central planning unit officer

Mano River Union

Dr. S.M. Sesay,	Deputy secretary general
Dr. F. Reihhart,	Engineer
Mr. P.E. Elliott,	Economic integration officer

President office

Mr. M.L. Kargho,	Economic adviser officer
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National Development Bank

Mr. S.A. Conteh,

Director of operations

National workshop

Mr. V.A. Deveneaux,

Chairman

Mr. B. Rao,

Industrial Engineer

Mr. Kucsera,

Industrial Engineer

Mr. Martin,

Industrial Engineer

Industrial Engineer consultant

Dr. R. Trede,

Managing Director, Atlant consultant

Private enterprise

Mr. Chanrai,

General manager, chanrai

Mr. B. Indru,

Manager, chanrai

Part II

Brief outlook on the country resources and potential and its present economic status

Sierra Leone is a country endowed with a wide variety of resources and has therefore a good base for industrial Development.

A - Agriculture

80% of the population or more live in rural area and their activity is agricultural farming and cattle raising.

Yet, that sector only contributes 30% of the G.D.P.

The 3 essential elements for agriculture, soil quality, water and climate are very favorable for this activity. In spite, of all that potential the country still imports food staples. In 1979 the import of food for local consumption was as follows:

wheat 28,000 tons, rice 100,000 tons, sugar 25,000 tons, meat, fish, etc.

This awkward situation where the country cannot be self-sufficient is mainly due to: poor seeds used, poor technology, low return and poor transportation means.

The total area under cultivation is about 10% of the total territory and the area available for agricultural expansion and unused at the present time is 84% of the total land.

B - Forestry

Forestry used to cover a large percentage of the land. However, this percentage has been reduced to about 6% of the country territory.

This reduction in the forestry land did not favorize the output of the farmland. Moreover, without a well planned reforestration programme, depletion of the remaining forestry will be a serious threat as it destabilize the soil and automatically help the extension of the desert.

This situation is even more perplexing considering the fact that most of the saw wood production from the forest is exported as logs with no added value to benefit the local economy. Finally, it is even more perplexing to report that the country import large quantities of sawed timber, plywood, veneers and other wood products, while exporting saw wood logs.

C - Fisheries

Although the country territorial shores run for 450 miles and are extremely rich in fishery resources, fish and its by-products had to be imported to fill the demand gap. This situation becomes even more perplexing if we consider the fact that foreign trawler licensed to fish in the territorial water are catching the lion share of the country fishery resources and shipping it directly to their homeland. The local authorities have no mean to check on the volume of the catches these foreign trawler harvest each year.

No check is made to verify if the harvested volume affects the reproduction cycle of the fishery resources. Finally, the local most deprived fishermen are prohibited during the rich season of shrimps to fish with the most primitive boat for shrimps leaving that variety only to mainly foreign trawler.

D - Hydro-Electric Power

The country has about 10 rivers of which Rokoi is the largest. There are also numerous water falls and their potential for generating electricity from hydro-electric power is quite important in relation to the country need. However, none are exploited at the present stage and the first hydro-electric power station to come on stream is not due before 1987-88.

E - Mining

Mining is the main-stay of Sierra Leone's economy. Minerals account for around 75% of the total annual foreign earnings of the country.

Among minerals, "Diamonds" alone account for over 80% of the foreign exchange earnings annually. Sierra Leone diamonds, which are the purest in the world, are exported in great part in a raw form uncut and unpolished. Therefore, no added value is benefiting the economy of the country.

Bauxite is abundant in the country and about 300,000 tons were exported in 1978 in raw form.

Iron ore is also abundant in the country, however, no mining and export has been done yet.

F - Tourism and services

Sierra Leone enjoys a strategic position in West Africa and its climate is constantly moderate year round with one raining season from May to September. This should have favored the tourism and service industry. However, the foreign exchange earning from that source is minimal.

As result of the above, most of the country resources are either:

- a) not exploited at all or,
- b) poorly exploited or,
- c) not always exploited in a way to benefit the economy of the country

These are the reasons of the low per capita income in Sierra Leone.

It seems that this is the result of a lack of government will to bring in the necessary corrective action to remedy that situation.

Part III

Brief feed-back on project identification and visiting programme to the local private investor

Several projects have been identified during the period of the consultant mission. However, identification of interested local investors was much more difficult to attain. This was mainly due to the lack of interest on the part of the assigned local counterpart, his frequent absences and his many other occupations. This state of affairs reduced the expected output of the consultants and forced him to seek assistance from other sources.

Mr. S.S. Ali and Mr. A.S. Nazir under UNIDO Project SIL/78/002 Industrial programming and project elaboration, have been of great help in providing data and guidance to the consultant in his field of work specifically project identification (a list of identified projects are in Annexe 1).

However, the visiting programme to the private local investor, in view to identify the client seriousness and collect the required data, did not materialize in spite of the repeated requests of the consultant to his local counterpart.

On several occasions the consultant reported to the SIDFA the slow rate of progress in meeting the appropriate local investors as well as government institutions. Thus, almost no visit to the private local investor was undertaken and the consultant had to rely almost entirely in his work programme on secondary sources of information.

One can expect that in such circumstances UN staff would substitute the lack of local assistance. However, according to the SIDFA it seems that the local authorities do not appreciate or encourage such direct contact between UN staff and the local private investor.

Due to this delicate situation SIDFA and other UN staff members refrained from such direct contact lest they be blamed for interference, creating a difficult relation between the UN bureau and local authorities.

For these reasons, the visiting programme of the consultant was seriously hampered and data collection was only collected through secondary sources, or market survey, done by the consultant or direct information from Messrs. Ali and Nazir.

In spite of all this background the consultant was able to prepare 8 project profiles which he presented to UNIDO jointly with this report. The presented projects are:

1. Paper and Board Mill

Project cost: US\$ 3,571,000

- The sponsor of the project or interest party is the National Dev. Bank
- This project is a priority one due to the great need of the country to paper and board and on account of the high saving in foreign exchange it will realize to the economy of the country.

2. Compost plant

Project cost: US\$ 1,348,000

- The sponsor of this project is: The Freetown city council and The Ministry of health
- This is a priority project due mainly to its social benefit ridding the city of the health hazard of open air garbage dumping. It seems that although compost could be sold as a soil conditioner for agricultural purpose, the sale revenue could not cover the production cost specially high interest rates. Therefore, a donor country could assist to implement this project by either granting the machinery and equipment or finance it on the basis of a very soft loan, spread over a long number of years.

3. Wire net plant

Project cost: US\$ 449,000

- The sponsor of the project is: The National Workshop.
- This project is needed on account that the country presently import all the fencing wire net. One point to underline is that the workshop by-law should be amended to permit a joint venture. This amendment was discussed with the chairman of the National Workshop and it seems that this condition can be met.

4. Peanut butter

Project cost: US\$ 166,000

- The sponsor of this project has not yet been identified. However, Mr. Nazir (UNIDO expert Project SIL/78/002) who prepared a study on that project had already contacted some potential local investor. In addition, the National Development Bank is in a good position to identify a local sponsor.
- This project is needed on account that it will save foreign exchange on import of Peanut butter and also on account of the usage of local raw material, thus the added value will be considerable.

5. Solar Salt

Project cost: about US\$ 3 million

- The sponsor of the project or interested party: The Mano River Union-industrial development unit - AND the National Development Bank
- This project is a priority one on account of the great need of the country to salt and also on foreign exchange saving as well as value added and employment. However, it is recommended that a team of experts re-appraise the project site and cost proposed in the feasibility study done by Saltec (Italian firm) and which is a non viable proposition by itself. However, the project itself is sound and viable. For this reason the consultant retained the project and is estimating its cost to be in the neighbourhood of US\$ 3 million.

6. Aluminium Roofing sheets

Project cost US\$ 1,088,000

- The sponsor of this project or interested party have not yet been identified. However, the National Workshop can be a candidate. In addition, the National Development Bank is in a good position to identify a local sponsor.

- This project is needed as a building material one to provide the local market with the required roofing. Presently, only the corrugated iron sheet is imported which rust after a short while and need replacement much more often than the Aluminium sheets.

7. Chocolate factory

Project cost: US\$ 238,000

- The sponsor of that project has not yet been identified. However, Mr. Nazir (UNIDO expert Project SIL/78/002) who prepared a study on that project had contacted some potential local investors. In addition, the National Development Bank is in a good position to identify a local partner.
- This project is needed as an import substitution project where most of the raw material are available locally saving the country much needed foreign exchange.

8. Edible oil refinery

Project cost: US\$ 975,000

- The sponsor of that project is the Sierra Leone Produce and Marketing Board (S.L.P.M.B.)
- This project is needed as an import substitution project where all raw material are available locally (60% Palm Kernel oil and 40% groundnut oil) saving the country much needed foreign currency.
- The profitability of that project was not worked out due to the lack of data concerning the production cost, sales prices, etc.

All the presented projects are of small to medium size projects (US\$ 200,000 to less than 10 million). It is the opinion of the consultant that these projects, small to medium size, hold good chances of success due to the heavy protection by import custom duties. In addition, local sponsor can be easily identified and capital can also be easily secured.

On the contrary large size projects need much more than a project profile to attract and convince a foreign investor to consider it. Adding to that, the economic uncertainty and malaise prevailing in Sierra Leone (and in some other developing countries) will in no way convince foreign investors to implement large scale projects. These large size projects are usually undertaken after worldwide exploration of potential other area and many other consideration are also weighted such as political, etc.

Therefore, it is the opinion of the consultant that project profile should concentrate mainly on small to medium size project that hold the best chances of implementation.

Part IV

Recommendations

1. Planning the visiting programme of the consultant before his arrival is very commendable. For instance, before the arrival of the consultant a list of potentially viable projects can be collected by the SIDFA, JPO or some UN staff. Then, a general approach, by local authorities or UN staff, to the local investors be undertaken in order to identify the interested parties, their field of activity, their availability, the data required and available, etc.
2. A flexible visiting schedule can be programmed to different institutions and to local investors private or public. This is an important element in the programme of the consultant because it is the most direct source of information and data he can base his appraisal upon.
3. Visit to important area of the country in order to help the consultant to assess some of the economic facets and verify them with the secondary sources.
4. Should the list of potentially good projects be available during the consultant's briefing session it could be communicated to him so that proper documentations in regard to these projects be taken accordingly and a better assessment be made.
5. Project identification in accordance with the job description should be strongly emphasized. For instance large size projects such as Alumina production (US\$ 500 million) or sugar cane (US\$ 100 million) are of no value since such huge project requires much more than project profile for evaluation. Unless it is only a listing of such projects no foreign investor would venture on such a project just on a project profile, thus the little value and utility of producing such profiles.
6. Production cost, working capital, depreciation schedule, interest and reimbursement schedule, financial projection (P+L, C.F., B.S.) and assumptions are of a great importance to really assess the value of the figures presented in the project profile and should therefore be attached to the project profile as annexes. Without these guiding working papers proper assessment of the obtained result cannot be made.
7. Provide a small budget of maybe US\$ 200 for secretarial work, such as typing, paper, stencil, ink, etc. This logistic support although generally promised by local authorities are not provided.
8. Provide a small budget of about US\$ 200 to cover the transportation expenses of the consultant in his visiting programme to local investors. This service is scarcely provided by local authorities and in few cases a UN car is not available.

Identified small and medium size projects which might prove
viable to implement in Sierra Leone

Project cost US\$ 200,000 to 5,000,000

1. Food processing agro-industry

- Frozen and canned fruits juices
- Fruit and vegetable caning
- Papain extraction
- Sugar cane processing
- Coffee processing
- Cocoa and cocoa products
- Groundnut and oil processing
- Coconut processing
- Vinegar production
- Essential oil plant producing ginger and mint oil
- Flour milling
- Quinine production
- Perfume essence extraction

2. Building Materials

- Wire mesh
- Clinker processing to obtain cement
- Clay bricks and tiles
- Door and windows frames, fitting and lockes
- Stone-cutting
- Sanitary units and pottery
- Refractories (fine bricks)

3. Mineral industry

- Sodium Silicate (glassware)
- Crockery
- Caustic soda from salt
- Diamond cutting
- Jewellery setting

4. Forestry industry

- Furniture
- Timber processing
- Construction products (Parquet, doors, windows, kitchen cabinets)
- Shipping products (pallets, wooden containers)
- Charcoal

5. Fishing industry

- Frozen sea food
- Sea food canning
- Fish nets and ropes production

Miscellaneous

- Packaging materials (cardboard, celophane, etc)
- Mopeds and bicycles assembly
- Household plastic and aluminium
- Steel furniture
- Cosmetic soap and detergent
- Handloom waving
- Handicraft
- Tyre retreading
- Rubber based car components (windshield wipers, hoses, carpets, belts, etc.)
- Fans and air condition assembly
- Garments
- Matches and candles
- Ball point pen
- P.v.c. injection moulding plant
- Coir mats, fiber, yarn, carpets.



