Sierra Leone Investment Outreach Campaign

Opportunities for Investors in the Sugar Sector

Update: February 2010
Opportunities for investors in the sugar sector: presentation overview

- **The market opportunity**
  - Global, regional and local demand-supply gap and rising prices

- **Sierra Leone’s assets**
  - Agro-climactic conditions
  - Land availability and accessibility
  - Factor costs
  - Logistics
  - Local and international support
  - Investor incentives
  - Political and economic stability

- **Accelerating international interest**

- **Profiles of three initial zones earmarked for sugar cultivation**
The market opportunity: executive summary

- **Global demand**
  - Global demand for cane products (sugar, ethanol, molasses, etc.) is growing rapidly, driven by rising incomes in emerging markets and growing interest in renewable fuels
  - Four of the world’s five largest producers (India, China, the EU and US) have changed from being exporters to net importers in recent years
  - World prices are projected to remain above historical averages
  - Producers in Sierra Leone have favoured access to markets in the EU and US under the Everything But Arms (EBA) & Africa Growth and Opportunity Act (AGOA) provisions

- **Regional demand**
  - The 15 countries of the Economic Community of West African States import $500+ million of sugar & $100+ million of ethanol; producers in Sierra Leone have duty-free access to the whole region under ECOWAS

- **Local demand**
  - Sierra Leone currently consumes more than 30,000 tons of sugar, even though demand is suppressed by limited supplies and high prices
  - Sierra Leone also imports more than $100 million in petroleum products per year
  - Local prices for sugar and fuel, after duties and transport, exceed world averages
  - Sierra Leone has large power deficit: current supply of 75MW vs. consumption of 200MW (from private diesel generators); unmet demand estimated at 500MW
  - New energy policy encourages Independent Power Projects (IPPs) from renewable sources; establishes independent board to ensure payments; and establishes framework for Clean Development Mechanism (CDM) credits
  - Current electricity tariff is 47 cents/kWh; government targets to bring down to 25 cents/kWh, leaving ample room for attractive wholesale prices
Global demand for cane products is growing rapidly

Current/Projected World Sugar Consumption 2008-2018 (million tonnes, raw sugar equivalent)

- Total growth: 21%
- CAGR: 2.0%

- Global demand for cane-based products is forecast to grow by 20+% over the next 10 years

- A number of factors are driving demand:
  - Rising incomes and changing diets leading to increased consumption of sugar in emerging markets, particularly China, India, South East Asia and the Middle East
  - Increased industrial usage of sugar in emerging markets
  - Increased meat and dairy consumption in emerging markets leading to increased demand for molasses as input to animal feed
  - Increased demand for cane and molasses as feedstock for ethanol production

- Unlike other commodities, the global slowdown appears to have had little impact on sugar demand – consumption in rich countries has been relatively unaffected, while growth in the largest emerging markets has continued

Note: CAGR = Compound Annual Growth Rate
Source: OECD-FAO Agricultural Outlook 2009-2018
The world’s biggest importers are showing steady growth in demand

Current and Projected Imports, Major Net Sugar Importers
2007-08 vs 2017-18 (thousand tonnes)

East Asia
(China, Indonesia, Japan, Malaysia, S Korea)

Middle East/North Africa
(Algeria, Egypt, Iran, Morocco, Turkey)

European Union

North America (US, Canada)


Sierra Leone has duty-free access and ideal location for serving the EU, the fastest growing import market
While supplies from most of the top exporters are flat or declining,

**Current and Projected Exports, Major Net Sugar Exporters**

2007-08 vs 2017-18 (thousand tonnes)

- Brazil: Increase by 25%, but share of exports for ethanol expected to increase from 50% to 67%, leaving actual sugar exports flat.
- Thailand: +0.3%
- Australia: +1.8%
- India: -0.1%
- Guatemala: +2.2%
- South Africa: -0.1%
- Colombia: -1.8%
- Cuba: +1.0%
- Mexico: -1.1%
- Argentina: -7.1%


February 2010
Most of the largest producers cannot keep up with increasing demand

**European Union**
- With removal of import quotas and price subsidies, EU sugar production has declined from more than 22 million tonnes (MT) to less than 15 MT, and is expected to decline further
- As a result, the EU has switched from a large net exporter to the world's largest importer
- Net imports are projected to rise from around 3 MT in 2008 to more than 5 MT in 2018

**United States**
- Full integration with Mexico under North American Free Trade Agreement (NAFTA), trade agreements with other countries and WTO minimum access quotas are expected to drive up sugar imports to the US
- As a result, the US has introduced provisions to support domestic production
- Nevertheless, net US sugar imports are expected to rise from 2.2 MT in 2008 to 3.1 MT in 2018

**China and India**
- The world’s 2nd and 3rd largest producers of sugar
- However, as incomes and consumption have risen in recent years, both have become net importers of sugar
- China’s imports are expected to roughly double over the next 10 years to more 1.5 MT per year
- India will swing between surplus and deficit, but net imports over the next 10 years will average more than 1.5 MT per year

**Brazil**
- Accounts for more than 33% of global output and more than 50% of global exports; virtually all the additional 6 MT in global imports over next 10 years is expected to be met by increased output in Brazil
- Even in Brazil, there are limits to sugar growth: world sugar prices are up by more than 30% in 2009 due mainly to excess rain in Brazil and drought in India
- The Brazilian government has proposed legislation to ban cane plantations in environmentally sensitive areas; this would limit plantations to 7.5% of territory and prevent clearing of new land for cane

Prices have risen despite the slowdown and are expected to continue.

Current and Projected World Sugar Prices
$/tonne, 1997-2017 (Raw Sugar)

Note: Raw sugar, New York No. 11, f.o.b. stowed Caribbean port (including Brazil), bulk spot price, October
Source: OECD-FAO Agricultural Outlook 2009-2018
As a result, leading producers are looking for new expansion locations

**Wilmar & Olam**
- Set up JV to invest in oil-palm, sugar and rubber in Africa; investing $200 mln to acquire 26% stake in SIFCA in Cote d’Ivoire, plus stakes in upstream plantations and downstream mills
- Also managing Bidco’s new 10,000ha palm plantation in Uganda, due to start production in 2009

**CIEL & Group Quartier Français**
- CIEL of Mauritius and GQF of Reunion acquired majority stake in TPC Ltd, 1 of 4 sugar companies in Tanzania
- Investing to increase output from around 30,000 tonnes at acquisition to 85,000 tonnes, plus generate 35GWh of electricity to be sold to grid

**Illovo (British Sugar)**
- Invested more than $500 mln to develop new sugar mills & plantations in Malawi, Tanzania, Zambia and Mali
- Each operation covers 20,000+ hectares of nucleus and smallholder land, and aims to produce at least 200,000T of sugar, as well as ethanol and electricity

**Tongaat Hulett**
- Over last 10 years, has established or acquired sugar operations in Botswana, Namibia, Swaziland, Mozambique and Zimbabwe
- Sugar production is projected to exceed 350,000T in Zimbabwe and 300,000T in Mozambique in 2010

Source: Company press releases and websites
Producers in Sierra Leone have favoured access to key global markets

<table>
<thead>
<tr>
<th>US Market</th>
<th>EU Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Under the Africa Growth and Opportunity Act (AGOA), since Sierra Leone is a Least Developed Country (LDC) in Africa, producers in Sierra Leone are permitted to export eligible products to the US duty-free.</td>
<td>- Sierra Leone is one of 49 LDCs covered by the EU’s Everything But Arms (EBA) agreement: producers in Sierra Leone are permitted to export all products (except arms) to the EU duty-free and quota-free.</td>
</tr>
<tr>
<td>- At present, all cane products (sugar, molasses, ethanol, etc.) are classified as eligible products (although the US can change the list of products unilaterally and does so regularly).</td>
<td>- All cane products (sugar, molasses, ethanol, etc.) are eligible for unlimited duty-free access to the EU.</td>
</tr>
<tr>
<td>- The current act remains in force until September 2015.</td>
<td>- Until 2012, as an LDC, Sierra Leone will still benefit from transitional price arrangements which guarantee a price of €300/tonne ($450) for sugar imports from qualified Africa-Caribbean-Pacific (ACP) countries, even if market prices fall below this level.</td>
</tr>
</tbody>
</table>

Source: Official US and EU documents on AGOA and EBA/EPA rules
Producers in SL also have free access to the growing regional market

**Imports to Economic Community of West African States (ECOWAS), 2001-2008 (US$ millions)**

- Combined imports to the 15 countries of ECOWAS from 2001 to 2008:
  - Sugar: up from $375 to $500 million
  - Ethanol: up from $20 to $100 million

- With improving economic and political conditions in the region, consumption is expected to continue rising

- Imports of both products to Sierra Leone and its immediate neighbors (Guinea and Liberia) are growing at particularly fast rates – more than 10% per year

- Under ECOWAS, sugar and ethanol produced in Sierra Leone have unrestricted duty-free access to all countries in the region

Source: UN Comtrade, UN ITC Trade Map
The market for sugar, fuel & feed in Sierra Leone is small but growing

Despite good conditions for cane cultivation, local sugar output currently meets less than 20% of local demand: over the last 5 years, annual imports have risen from around 10,000 tonnes to more than 25,000 tonnes.

The only existing mill in the country, has capacity of only 12,000 tonnes per year; current output is less than 7,000 tonnes.

With rising population and increasing consumption, local demand for sugar is expected to exceed 100,000 tonnes per year within the next 10 years.

After import & duty costs, local sugar prices are 25% or more above world market prices.

In addition to unmet demand for sugar, there is also a small local market for molasses and ethanol – Sierra Leone imports all of its fuel and animal feed, and demand for both is growing rapidly.

Source: UN Comtrade, ITC Trade Map. Interview with Complant Magbass Sugar Complex.
The Government is also eager to promote biomass energy projects.

Electricity: Installed Capacity vs. Estimated Demand

- Current generation capacity, even after launch of Bumbuna 1, meets less than half current electricity needs (complemented by private diesel generators).
- 3 major mining projects are also slated to begin operations, each needing between 100 and 300MW of power – promoters are interested in securing power from local biomass sources, rather than importing fuel.
- Cabinet recently approved comprehensive new energy policy that explicitly encourages Independent Power Projects (IPPs) from renewable sources, establishes an independent board to ensure fair and reliable payments, and establishes a framework for Clean Development Mechanism (CDM) credits.
- The current electricity tariff is 47c/kWh; the government aims to reduce the tariff to 25c/kWh over the next few years, but this still leaves ample room for very attractive wholesale pricing for biomass-based IPPs.

Source: Government of Sierra Leone Ministry of Energy; interviews with mining companies

February 2010
Sierra Leone’s assets: executive summary

- **Agro-climatic conditions**
  - Humid tropical conditions: year-round sunshine and warm temperatures; very high rainfall
  - 9 major river systems, with year-round flow and large, gently rolling valleys

- **Land availability**
  - 7.2 million hectares total; 5.4 million hectares suitable for agriculture; less than 1 million used
  - Main food crop, rice, grown primarily in swamp areas along coast and low-level “boliland” pockets and inland valley swamps in river flood plains; livestock grazing mainly in highlands in North; cash crops (oil palm, coffee, cocoa) concentrated in South; very little forest cover, mainly along borders
  - The ideal zones for cane, elevated areas in the central plains and river valleys, can be managed so that operations do not restrict food cultivation or displace important natural ecosystems
  - Foreign companies are able to lease land for up to 71 years, and lease terms are being further improved; a process has been established, with active government support, that is fair to both the investor and local communities

- **Factor costs**
  - Leases on good land range from $5 to $20 per hectare per year; basic labour costs of $2-3 per day; flexible labour regulation, permitting productivity-linked payment structures; attractive tax rates, with 0% taxes and duties for qualified investors

- **Logistics and Infrastructure**
  - Location on West Coast of Africa – closer to Europe and Americas than other locations in Africa
  - Only natural deep-water port in West Africa, in process of being privatized; all target cultivation areas are less than 150km from the port on good roads

- **Local support**
  - President and Cabinet have identified agribusiness as key to development of the country and are ready to work with investors to assist with land leases and other requirements
  - International agencies are eager to support rural development and may be able to assist with project financing, small-holder training and outreach, supporting infrastructure and more
Sierra Leone lies at the heart of the equatorial sugar cane belt.
At 7° - 10° North, Sierra Leone offers year-round high temperatures
Sierra Leone’s total annual rainfall is one of the highest in Africa

Source: SLARI (Sierra Leone Agricultural Research Institute); FAO AQUASTAT
Rainfall seasonality is strong, but this can have its advantages

Most of Sierra Leone experiences high rainfall variation with a 6-month wet season and a 6-month dry-season: in most areas, there is less than 100mm of rain for 3-4 months per year (December-March) and less than 5 hours of sunshine per day for 2-3 months (July-September).

This moisture deficit and solar deficit impedes crop growth for parts of the year. However, the seasonal variation also brings benefits for sugarcane:
- The short but intense rainy season generates a positive rainfall balance, limiting irrigation needs, while leaving up to 200 days for harvesting.

These conditions are similar to other major cane-growing areas in Brazil, India, Natal, Queensland and so on, where irrigation and cane varieties have been tailored to address these deficits.

Annual Rainfall and Sunshine Profile
Njala, Central Sierra Leone

Source: SLARI (Sierra Leone Agricultural Research Institute)
Nine major river systems provide good resources for irrigation

Source: Sierra Leone in Maps; FAO AQUASTAT
Target areas for cane have moderate elevations and open land systems.

- Gently undulating plains / river valleys
- Scrub / Savanna

Source: Oxford Cartographers, SLARI (Sierra Leone Agricultural Research Institute)
Soils are mainly ferralitic, with top soils of varying depth

Soils throughout the valleys and plains of central Sierra Leone are mainly Ferralsols – variable top soil depth overlying gravel or laterite.

Across the undulating landscape, soils in lowland areas (the so-called “boli-lands”) tend to be deep loams, but these areas are water-logged during the wet season – and are used by local people to grow rice.

Conversely, soils on top of upland ridges tend to be gravelly with very shallow top soil (<15cm).

Existing commercial farmers and prospects focus on alluvial soils in the floodplains of major rivers and the zones between lowland valley swamps or bolilands and upland ridges: these soils are well-drained over gravel/ laterite, located on moderate slopes running down from ridges to the low-lands.

All soils require fertilizer inputs to achieve maximum economic yield of cane.
Target land areas are compatible with environmental and social needs

Unlike many parts of the world, cane farming in Sierra Leone can be managed in such a way that operations do not displace food production or sensitive ecosystems.

High conservation value areas tend to be clustered along coasts (wetlands and Western Area forests and wildlife), along inland borders (major forest reserves and wildlife habitats) and around major mountains and hilly outcrops – none of the target areas for cane cultivation overlap with these zones.

Extensive cultivation of cash crops also should not displace local food crop production:
- Sierra Leone has a total land area of 7.2 million hectares; of this, 5.4 million are suitable for agriculture, but less than 1 million are utilized.
- The main food crop, rice, is grown mainly in swamp areas along coasts and low-level “boliland” pockets in river flood plains, inland valley swamps, and upland “bush fallow” areas; livestock grazing is mainly in highlands in North.

The opportunity exists for investors to meet the highest standards of environmental and social responsibility, thereby further enhancing their competitive edge in the EU and US markets.

Source: SLARI (Sierra Leone Agricultural Research Institute)
A fair and transparent process for leasing land has been established

- The Government of Sierra Leone recognises that secure access to land is critical to attract investment in agriculture, mining and tourism. At the same time, as in all countries, the process for assigning tracts of land for commercial use needs to be compatible with other environmental and social needs – not only to protect the community and environment, but also to ensure a sustainable and secure operating environment for investors.

- SLIEPA (with help from IFC) has developed a report on best-practices to help investors navigate through the land-leasing process within the customary tenure environment. The best-practices report includes examples of a step-by-step recommended approach, template leases, other legal documents and agreements with local communities. The report and supporting documents will soon be available on the SLIEPA website.

- Best-practices for agreements with local communities include a number of salient features:
  - While drawing on the expertise of the central government (particularly the Ministries of Agriculture, Land and Trade), successful investors from the outset involve the local community and environmental NGOs in mapping the site to ensure protection of areas needed for food production and all high conservation value areas.
  - Successful agreements have free, prior, informed consent of all residents, not just local chiefs and land-owners.
  - Successful land use plans meet the Equator Principles (and/or equivalent social and environmental standards).
  - Best-practice financial compensation to local communities includes three components:
    - “Rent”: a fixed annual cash component (with payments publicized in the media and distributed amongst members of the community as well as the central and regional governments according to an agreed formula).
    - “Royalty”: a variable component based on the measurable output of the plantation and a pricing formula linked to market prices – to ensure the community have a stake in supporting the smooth operation and productivity of the estate.
    - An independent board to oversee how the rent and royalty payments are spent – to ensure that the benefits do not accrue just to a few individuals.

The Government of Sierra Leone stands read to help investors with all aspects of the leasing process. In addition to the best practices guide, SLIEPA is also establishing a special team to help investors with the process of community consultation, land-use planning and mapping.
Sugar cane yields are projected at 80-120 tonnes per hectare

■ Swiss firm Addax is in the final stages of securing land and financing for a sugar cane to ethanol project in Bombali District:
  • The firm planted an initial 7 hectares of cane in early 2009 to test conditions and begin seed multiplication
  • After 9 months, the yield has been found to be 89 tonnes per hectare (with rows spaced at 1.5 meters), suggesting potential yields in 100 tonne range
  • The experienced team managing operations state they are very satisfied with the solar radiation, precipitation and soil conditions for cane cultivation

■ The only existing commercial sugar plantation is the COMPLANT Magbass Sugar Complex:
  • At the request of the Sierra Leone Government, the Government of China asked the firm that built the plant in the 1970s to restart operations in 2005
  • The firm is experienced in the sugar industry but has encountered teething problems: the cane plantation has stem-borer infestation; old boilers have limited power generation for satisfying irrigation demand in the dry season; the original fields are prone to water logging; and the farm equipment is not as advanced as expected
  • Despite these hurdles, management has achieved yields of 70 tonnes per hectare; after addressing the equipment and stem-borer problems, they expect to achieve at least 100 tonnes per hectare

Source: Interviews with Addax and Complant management
**Average Rural Labour Costs**

**US$ per hour, 2008**

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Rural Labour Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>3.54</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.17</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.87</td>
</tr>
<tr>
<td>China</td>
<td>1.05</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.79</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.63</td>
</tr>
<tr>
<td>India</td>
<td>0.45</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>0.25</td>
</tr>
</tbody>
</table>

- Agricultural labour costs range from $2 to $3 per day, on a par with other African countries, and considerably less than alternate locations in Asia or Latin America.
- Labour regulation is relatively flexible with productivity-based payments widely applied.
- Leases on good agricultural land range from $5 to $20 per hectare per year (compared to $100+ in Brazil, $450+ in Indonesia and $3,000+ per hectare in Malaysia).
- Currently, there is no charge for utilization of water resources.
- Electricity rates are high, but it is expected that cane producers will generate their own power and sell to the grid – so high rates are beneficial.
- Tax rates are very attractive, with 0% corporate income tax and 0% duty on imported inputs for qualified investors.

Given low factor costs, attractive climate and competitive yields, global sugar firms operating in Sierra Leone should be able to produce sugar well within the $300 per tonne (18c per lb) range needed to compete on global and local markets (even before considering Sierra Leone’s locational and duty-free access advantages).

Source: US Bureau of Labour Services Foreign Labour Statistics Office, ILO, Economist Intelligence Unit, Plantation Managers
Procedures for importing seeds and other inputs are straightforward

- **Fertilizers and Agricultural Equipment:** All imports of fertilizer and agricultural equipment are exempt from import duty and VAT.

- **Seeds:** At this time, unlike many countries, phytosanitary procedures are designed to facilitate the import of improved planting material whilst protecting growers from importation of pests and diseases:
  - Import of seeds and other plant materials is governed by the Plant Phytosanitary Rules, which are part of The Agricultural Act. A permit must be obtained no less than 14 days prior to the date of importation; and a phytosanitary certificate issued by the competent authority of the exporting country may be required. Upon arrival, materials are subject to examination and if necessary quarantine.
  - Existing investors report that the process works smoothly.
  - A National Seed Policy was also adopted in December 2006, to guide all activities related to the production and supply of all seeds in Sierra Leone. Amongst other matters, the Policy provides for the establishment of a National Seed Board, a Variety Release Committee, a Seed Industry Development Unit and a Seed Quality Control Unit.

Source: Ministry of Agriculture, Forestry and Food Security
Rapidly improving road & port facilities enable easy import and export

The government and donors have launched a major road-building program
- Many parts of the country can now be reached on good tarmac roads
- All target cane-growing areas are less than 150km from Freetown port on good roads

Freetown port is second largest natural deep-water port in the world and largest in Africa:
- As the region’s main port historically, the port has extensive bulk-storage and fuel-storage facilities
- The government is in process of putting the port under contract to private management, leading to further improvements in facilities and throughput times

Mining companies are also developing ports at Pepel and Bonthe; it may be possible for agricultural investors use these ports for bulk exports and imports

Source: Sierra Leone Road Authority; Sierra Leone Port Authority
Sierra Leone’s location is ideal for serving the EU and US markets

- Located at the far Western end of Africa’s equatorial belt, Sierra Leone is closer to major markets in Europe and the Americas than most other locations suitable for cane cultivation.

- Currently exports from Sierra Leone often have to be trans-shipped through Dakar or other ports. But once Freetown Port is under private management, its natural advantages and location are expected to make it a major regional hub for shipping.

Source: Portworld.com

February 2010
Sierra Leone has a strong human capital base for agricultural ventures

- Sierra Leone is recognized as the “Athens of Africa” due to the early establishment of institutions of higher education in the country:
  - The first University College in Sub-Saharan Africa, Fourah Bay College, was established by the Church Missionary Society in Freetown in 1827
  - Two of the earliest secondary schools in West Africa (CMS Grammar School-1845 and Annie Walsh Memorial School-1849) were also established by CMS
  - Freetown was administrative headquarters for the British administration and the centre for training administrative staff for the British West African Colonial Administration
  - Early agriculturists were trained mainly in the United Kingdom at institutions like Wye College and the University of Reading
  - Njala University College was established in 1964 principally for training agriculturists for Sierra Leone and neighboring countries
  - The majority (80%+) of agriculturists in the country are graduates of Njala
  - Since its founding in 1964 to date, NU has turned out at least 1000 agriculture graduates, many with post graduate degrees. Most of these remain in country and constitute most of the technical staff of the Ministry of Agriculture, Forestry & Food Security and other establishments

- SaloneFAB, a web forum for sharing information about agribusiness in Sierra Leone, has also been established, drawing together experts from government, donors, NGOs, academia and business

To help develop skills and productivity, new incentives for agribusiness investors allow for 125% tax deduction for expenses on approved training programs

Source: Interviews with Sierra Leone education and research specialists; salinefab@googlegroups.com
Donors are eager to support outgrower and infrastructure development

- A number of international donor organizations may be able to provide technical and financial assistance to develop the productivity and capacity of outgrower associations and communities in cane growing areas
  - **World Bank**: Runs programs to stimulate private sector development in agriculture and increase value-chain efficiency for local and export-oriented agricultural products
  - **IFC**: ready to consider financing and technical assistance to qualified private investors in agribusiness and other key sectors in Sierra Leone
  - **IFAD**: runs several projects to improve agricultural production capacity, strengthen farmer-based organizations, and improve small-holders access to finance and credit
  - **FAO**: supports the National Sustainable Agricultural Development Plan with focus on quick wins
  - **USAID**: Consortium for Rehabilitation and Development provides support to grassroots organizations in production, processing and marketing
  - **GTZ**: funds Seed Enterprise Enhancement and Development project to stimulate private commercial production and marketing of certified seeds
  - **AfDB**: Agriculture Sector Rehabilitation Project focuses on agricultural capacity building and infrastructure rehabilitation

- With significant funding earmarked for infrastructure development in Sierra Leone, potential also exists to leverage these sources to offset infrastructure development costs associated with new production facilities (e.g. road linkages, irrigation, etc.)

Source: Donor project descriptions and interviews:
At all levels, the people of Sierra Leone are eager to attract investors

- **The President and Cabinet** have identified sugar as a priority growth sector and are prepared to provide support at the highest levels to accelerate investment.

- The **Sierra Leone Investment and Export Promotion Agency (SLIEPA)** with support from the 14 District Councils, as well as the Ministries of Land and Agriculture, is in the process of earmarking and preparing a number of suitable sites for 10,000+ hectare sugar plantations.

- SLIEPA has a **team dedicated to helping agribusiness investors** handle land, infrastructure and other issues.

- In each of the target zones that have been visited so far, local **Members of Parliament, Paramount Chiefs and Village Elders** are exceedingly eager to attract investment to their districts.

- According to early investors, the **local population** in rural areas is very eager to work; large numbers of underemployed young people and subsistence farmers are excited at the prospect of good employment coming to remote parts of the country.

Source: Government of Sierra Leone, SLIEPA, Addax, site visits in Bombali, Kailahun, Kambia, Kenema, Pujehun and Tonkolili Districts
All agribusiness investors in Sierra Leone receive a wealth of benefits

- **Sierra Leone Investment and Export Promotion Agency (SLIEPA)**, created in 2007 to facilitate investment and improve business climate, offers investors 24-hour response to all inquiries, relevant updated sector information, tailored visits and aftercare services.

- World Bank ranks Sierra Leone #2 in Africa and #27 worldwide for **Investor Protection**:  
  - Investors are protected under MIGA and ATI accords; bilateral investment protection agreements also in place with several countries.  
  - 100% foreign ownership permitted in all sectors; no restrictions on foreign exchange; no limits on expat employees; and full repatriation of profits, dividends and royalties.

- Government has recently approved a special set of **incentives for qualified agribusiness investors**:
  - Complete exemption from corporate income tax up to 2020; plus, 50% exemption from withholding taxes on dividends paid by agribusiness companies.  
  - Complete exemption from import duty on farm machinery, agro-processing equipment, agro-chemicals and other key inputs; 3 year exemption from import duty on any other plant and equipment; reduced rate of 3% import duty on any other raw materials.  
  - 100% loss carry forward can be used in any year.  
  - 125% tax deduction for expenses on R&D, training and export promotion.  
  - 3 year income tax exemption for skilled expatriate staff, where bilateral treaties permit.

Source: Sierra Leone Investment and Export Promotion Agency (SLIEPA), World Bank Doing Business Report 2010
The country offers a stable and favourable business environment

- **Political stability:** Sierra Leone is one of few countries in Africa with a fully-functioning multiparty democracy. Since 2002, free elections have been held every 5 years; in 2007, the governing party lost and handed over power peacefully to the current administration under President Ernest Bai Koroma. Both leading parties are fully committed to democracy and a pro-business environment. Sierra Leone has been ranked as the most improved country in Africa in both the Mo Ibrahim Africa Governance Index and the World Bank’s global Governance Indicators.

- **Peace and security:** the country is free of any major ethnic, religious, ideological or other disputes. According to Gallup, Sierra Leone is the most integrated and harmonious multi-faith country in the world. Crime rates are extremely low – Freetown is the safest capital city in Africa, and the police force is one of few in the world that does not carry guns.

- **Clear direction:** the current government has articulated a clear vision for the country in its Agenda for Change, with 4 key priorities: providing reliable power, raising output & productivity in agriculture & fisheries, developing a national transport network, and ensuring sustainable human development.

- **Strong economic performance:** since 2001, GDP has grown by more than 6% per year in real terms, inflation has declined steadily, and exchange rates have been relatively stable, despite the volatile global currency environment. In 2009, the IMF commended the government for its handling of the economy and stated that it expects the country to continue growing at twice the average of Africa.

- **Pro-business government:** As a former businessman, President Koroma is focused on encouraging investment and private enterprise and continued streamlining of the “costs of doing business”. Over the last 3 years, Sierra Leone has climbed 20 places in the World Bank’s Doing Business Report. The country ranks top in West Africa for ease of starting a new business, and anti-corruption laws and institutions are among the toughest in Africa.

Source: SLIEPA, President’s Office, Mo Ibrahim Africa Governance Index, World Bank Governance Indicators, Doing Business Report 2010, Gallup CoExist Index, IMF.
The booming economy is driving domestic demand and prosperity

- GDP growing by 6+% per year in real terms
- Annual FDI inflows have increased ten-fold since 2003
- Non-diamond exports have grown ten-fold since 2003
- On top of traditional diamond, gold, bauxite and rutile exports, one of the world’s largest iron ore deposits and a large offshore oil-field were also confirmed in 2009
- Tourism arrivals growing by more than 10% per year
- Major indicators of domestic consumption (vehicle registrations, mobile phone subscribers) growing at double digit rates

Source: SLIEPA, UNCTAD, ITC Trade Map, UN Comtrade, Ministries of Transport, ICT, Tourism and Energy
Quality of life for local and expatriate management is high

- 500 miles of beautiful unspoilt beaches, with numerous offshore islands
- Highest mountains in West Africa
- Dozens of national parks with mountains, forests and wildlife
- Golf courses, tennis courts, deep-sea fishing, sailing, diving and more
- Very friendly and courteous people
- Low cost of living
- Very low crime rates
A number of investors have already identified the opportunity

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
</table>
| **COMPLANT**             | - Chinese state-owned group with sugar interests in Benin and Madagascar  
                           - Leased and rehabilitated old sugar mill on Rokel River (capacity 10,000T) in 2005  
                           - Plans to expand area under cane cultivation from 1,200 to 2,000 hectares         |
| **ADDAX**                | - Swiss-based fuel company with operations in Sierra Leone for many years  
                           - Investing $400 million in Makeni area to produce ethanol & electricity; earmarked 16,000 hectares for cane, working with local communities; planted 7 ha nursery, now expanding to 40 ha |
| **QUIFEL**               | - Portugal-based group with operations in Portugal, Spain, Brazil, Angola, and Mozambique  
                           - Signed agreements with local communities in Lokomasara and Masimera; to prospect for land for rice, oil-palm, and sugar cane; plans to focus on unmet local demand |
| **SUB-SAHARA BIOFUELS**  | - Local entrepreneur working with local communities in Tonkolili District  
                           - Seeking operational and financial partners to develop large-scale sugar and ethanol mill, with cane supply from up to 30,000 hectares of estate, plus small-holder land |
| **AFRICA DEVELOPMENT CORPORATION** | - Local group has earmarked 20,000 hectares in Pujehun district (Southern Province) for sugar cane farming; land-owners participating as equity partners in the project  
                           - Seeking $175 million investment for sugar production and electricity co-generation |

In addition to these projects in sugar and ethanol, other companies are investing in other agribusiness sectors including oil-palm, rice, cocoa and sesame

Source: Investor Interviews and documents
In sum, Sierra Leone offers a competitive location for sugar production

<table>
<thead>
<tr>
<th>Sierra Leone</th>
<th>Top 4 Global Exporters</th>
<th>Top 4 Africa Producers</th>
<th>Top 4 West Africa Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brazil</td>
<td>Thailand</td>
<td>Australia</td>
</tr>
<tr>
<td>Availability of useable, unforested land</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Year-round heat &amp; solar radiation</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Ample rainfall / irrigation sources</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Low land leasing costs</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Low labour costs</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Distance from main sugar area to port</td>
<td>5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Local market sugar deficit</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Regional trade-area sugar deficit</td>
<td>5</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Duty-free access to EU</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Duty-free access to US</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Distance to EU / Distance to US</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Political stability</td>
<td>5</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Low crime</td>
<td>5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Economic growth</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Business environment</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

**Evaluation Key**

5 = Very positive
4 = Positive
3 = Neutral
2 = Negative
1 = Very negative

Source: FAO, Aquastat, Worldclimate.com, World Bank, ILO, AGOA and EBA regulations, UN Comtrade, ECOWAS, COMESA, SADC, ASEAN, SAARC, EIU

February 2010
Investors’ themselves are clear on the benefits they see vs. alternates

Wilmar/Olam press release announcing investment in oil-palm, sugar & rubber in Côte d’Ivoire

“[We] strongly believe that Africa is the next frontier for agricultural production as it offers exciting prospects for setting up plantations and integrated agribusiness operations. This is because:

- There is abundant suitable land available in Africa for plantation development compared to Asia
- Plantation land acquisition cost is lower today than in Asia
- The cost of plantation development in Africa is comparable to that in Asia
- Plantation labour cost in Africa is cheaper than in emerging Asia
- While African palm oil yields are lower than in Asia, this is compensated by high domestic palm oil prices due to the freight differential in importing palm oil from Asia and the high import tariffs and duties imposed on edible oil imports in most African countries in the region
- In several African countries, corporate tax on plantation profits is significantly lower, including tax holidays, compared to Asia”

Addax presentation on investment in ethanol and electricity production in Sierra Leone

<table>
<thead>
<tr>
<th></th>
<th>Sierra Leone</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land lease</strong></td>
<td>$12/ha</td>
<td>&gt;$100/ha</td>
</tr>
<tr>
<td><strong>Road transport</strong></td>
<td>150km</td>
<td>&gt;1000km</td>
</tr>
<tr>
<td><strong>Export storage</strong></td>
<td>≤30,000m³</td>
<td>≤12,000m³</td>
</tr>
<tr>
<td></td>
<td>1 terminal</td>
<td>Multiple terminals</td>
</tr>
<tr>
<td></td>
<td>14m draft</td>
<td>10m draft</td>
</tr>
<tr>
<td><strong>Shipping to Rotterdam</strong></td>
<td>~3300 nmi</td>
<td>~6000 nmi</td>
</tr>
<tr>
<td></td>
<td>Return freight</td>
<td>Single voyages</td>
</tr>
<tr>
<td><strong>EU Customs duty</strong></td>
<td>Nil</td>
<td>€192 / m³</td>
</tr>
</tbody>
</table>

Three initial sites have been identified for new large-scale sugar estates. These sites include:

- Addax Plantation Area
- Quifel Exploration Area
- Magbass Plantation Area

In addition to these sites, earlier studies have also identified potential for sugar estates along the Tabe and Sewa rivers and north around Kabila. These sites will need further evaluation.
Initial findings at the Pampana-Rokel site are very promising

- Between Pampana & Rokel Rivers, Tonkolili District; Kholifa Mabang, Kholifa Rowalla & Yoni Chiefdoms
- Gross area of 55,000+ hectares, expected to yield 10,000ha nucleus estate, + 10,000ha outgrowers
- Top sugar site selected by Commonwealth experts in 1984; between Magbass, Addax and Quifel sites
- Potential for irrigation from both rivers
- Gently rolling plains, alternating between grassland in low-lying bolilands and bush-fallow on ridges
- Scattered small villages, with rice cultivation in bolilands and slash-and-burn clearings on ridges
- Shallow, gravelly soil on tops of ridges; deeper soils on slopes, along rivers and in bolilands; will likely require drainage and water management
- 2 new highways connect site directly to Freetown Harbour; close to new Bumbuna dam and transmission lines to Freetown
- Adjacent to major new iron-ore mine; potential to leverage new railway and supply power to mine
- Experienced local entrepreneur has already mobilized local community support, established legal entity, and secured agreement to explore land
- South African sugar technicians inspected land, estimated yield potential exceeding 100t/ha. Trials in adjacent Addax project nursery indicate yields of 80-120 t/ha

February 2010
The Little Scarcies site needs more evaluation, but also has potential

- Between Little Scarcies and Mabole Rivers, Kambia and Port Loko Districts; Tonko Limba, Sanda Magbolontor & Masungbala Chiefdoms
- Gross area of 90,000+ hectares, expected to yield 10,000ha nucleus estate, + 10,000ha outgrowers
- Potential for irrigation from both rivers
- Gravelly hills dissected by river valleys, inland valley swamps and bolilands; mix of savannah, bush-fallow and secondary forest
- Scattered small villages, with rice cultivation in lowland areas and valleys and slash-and-burn clearings on hills
- Very shallow, gravelly soil on hills; deeper soils on slopes, along rivers and in bolilands
- Limited road access to site at present, but new international highway to Kambia comes within 5 km of site; less than 150km to either Freetown or Conakry
- Potential to use barges to transport cane from cultivation areas to mill, and potentially to Freetown harbour
- Adjacent to potential bauxite mining area; potential to leverage transport infrastructure and supply power to mine
- Local community eager to attract investors

February 2010
The Njala site also looks promising

- Along Taia River, Moyamba District; Kori and Dasse chiefdoms
- Gross area of 50,000+ hectares, expected to yield 10,000ha nucleus estate, + 10,000ha outgrowers
- Potential for irrigation from Taia River and others in area
- Moderately hilly area with mix of inland-valley swamps and bush-fallow on ridges
- Scattered small villages, with rice cultivation in lowland areas and valleys and slash-and-burn clearings on hills
- Shallow, gravelly soil on tops of ridges; deeper soils on slopes, along rivers and in valleys
- Excellent new highway from Bo to Freetown runs along northern edge of site
- Rutile mining area is south of the site at mouth of Gbangbaia River; may be opportunity to supply power to mine, and to use the mine’s jetty at the mouth of the river to import and export materials
- Site is adjacent to Njala University, main agricultural university and agricultural research centre in Sierra Leone – easy access to technical expertise and skilled labour
- Local community eager to attract investors

Complete profiles of all three sites are available from SLIEPA
For further information:

Please contact:

- Patrick Caulker
  CEO
  Sierra Leone Investment and Export Promotion Agency (SLIEPA)
- Email: pcaulker@sliepa.org
- Cell: +232 76 333 111

Updated versions of this presentation and additional information on the sugar sector can be found on the SLIEPA website: www.sliepa.org