

Abstract

This paper is presented as a case study on concession agreements in the mineral sector of Liberia. It is in fulfillment of the requirements of the first module of the Bureau of Concessions Management Training Program sponsored by the World Bank/UNDP thru Ministry of Finance and Cuttington University. This work was compiled by students of the training program drawn from sector ministries involved in concession granting for natural resources.

In this paper, we shall endeavor to critically review some of these concessions, look at relevant government policies in granting mineral concessions, and analyze their impact on the Liberian economy.

The first concession agreement between the government of Liberia and a multinational corporation in the mineral industry was signed in 1945. This agreement was for the exploitation of the iron ore deposit in the Bomi range. Subsequent agreements were to follow for the Mt. Nimba deposit, the Bong range deposit, and the Mano River deposit. These were all for iron ore. Concessions for other minerals, notably, gold and diamond became part of the picture in the 1980's.

From the 1990's to present, concession agreements in the industry have been signed for the exploration and exploitation of iron ore, gold, diamond, etc.

Historical Review of Mineral Concessions in Liberia

The Bomi Range Deposit

In the 1930's, US Steel which was a US owned steel company negotiated with the government of Liberia for concession rights to the Bomi range deposits. This agreement in effect cancelled a previous one that the government had with an unnamed source.

In 1938, US Steel sent a team to Liberia for feasibility studies but the company abrogated the agreement due to the lack of port facilities in Liberia at the time.

The US Foreign Economic Administration which had the broad mandate 'to assist Liberia increase its production of strategic materials', sent a team to Liberia in November 1944 for an assessment of the country's needs. Subsequently, the following year, a mining concession for the development of the rich Bomi Hills reserves was concluded with Lansdell K. Christie who happened to be a former officer of the US army. He became familiar with Liberia during the construction of the Roberts International Airport which resulted from the US-Liberia Defense treaty of March 1942.

Paradoxically, Christie lacked the capital and expertise to develop the concession. He therefore contacted the Dutch Muller Company to form partnership with his Liberia Mining Company (LMC).

In 1943, an agreement between the governments of Liberia and the United States for the construction of a port with US Lend-Lease Funds was signed. The subsequent execution of this agreement eliminated a major obstacle to the development of the Bomi Hills deposits. The St. Paul River Bridge was also financed with the US Lend-Lease Funds under a different arrangement from that of the port. The government of Liberia was required to repay the cost of the bridge construction. Construction of the bridge was necessary to open access to the port.

Christie, meanwhile, succeeded in getting the Republic Steel Corporation, a major US steel company, involved in the LMC. Republic bought the shares of the Dutch Muller Company and in the end it accumulated about 60% of the total shares of LMC thus making her the major shareholder.

With all these developments, it now became necessary to build a rail link from Bomi Hills to the Freeport of Monrovia. The railroad was financed by the investors, who spent about US\$10 million on the project. This represented their only investment in the project apart from facilities and infrastructure at the mining site.

The Nimba Range Deposits

LAMCO was granted its concession in the Nimba Range near the border with Guinea in 1953 but began shipping ore only in 1963, when the port of Buchanan, which the company had constructed, opened for traffic. The mine's capacity was about 12 million tons of ore a year from a deposit at the start-up of operations having a proven reserve of some 250 million tons of 60 to 70 percent iron content. In the late 1970s output dropped to about 9 million tons, and American and European ore demands declined.

Seventy-five percent of the company was owned by a consortium in which the government held a 50 percent interest; a Swedish consortium held 37.5 percent; and Liberian and foreign private interests had 12.5 percent. The remaining 25 percent of LAMCO was owned by the Bethlehem Steel Company of the United States. Bethlehem's holding was subsequently acquired by the Liberian government.

The Bong Range Deposits

The second largest iron mining operation was in a 30-square mile concession located 50 miles north of Monrovia that had been granted in 1958 to the German-Liberian Mining Company. The firm was owned jointly in equal shares by the government and a consortium of German steel companies. Actual operations were carried out by the Bong Mining Company (BMC), some two-thirds of whose shares were owned by the German consortium and one-third by Italian steel interests; the ore was shipped to the plants of these two shareholder groups.

The ore body had an average iron content of about 38 percent, which was increased to about 65 percent by concentration. Pelletizing, which required a high energy input, was also carried out. The profitability of the mine slumped as the 1970s progressed because of rising petroleum fuel costs. The production from the mine, which began in 1965, was shipped to the BMC pier at Monrovia port over a company-built rail line.

Present Day Concession Agreements

The end of the civil crisis has seen the influx of many mining companies into Liberia. Licenses have been given to more than one hundred companies for mineral exploration, mainly gold and diamond. AmLib United Minerals, Mano River Resources, Diamond Fields International, Liberty Gold and Diamond, Ducor, Hummingbird, etc. are among companies doing exploration for either gold or diamond or the combination of both. BHP Billiton is presently conducting exploration for iron at two locations in Liberia, i.e., Kitomo range in Nimba and the Go Fantro range in Grand Bassa. All of these companies are at various stages of exploration activities, some with MDA's while others have exploration licenses only.

Iron ore concessions have been awarded to Arcelor Mittal for the Nimba deposits while the Bong Mines deposits have been awarded to the China Union. The Bomi and Mano River deposits together with the Bea Mountain deposit have been tendered in a single package called the Western Cluster. The Bea Mountain is a green field deposit. MDA negotiations for the Putu range are underway.

Comparative Analysis of Past and Present Mineral Concessions

Concession agreements granted to LMC, LAMCO, etc, in the past were governed by the open door policy. This policy was initiated before the ascendancy of William V.S. Tubman to the presidency in 1944. However, it was he who vigorously pursued and implemented it thus giving him most of the credit. The basic aim of this policy was to entice foreign entrepreneurs to Liberia to invest in the country's vast natural and mineral resources. There were no set guidelines or defined principles governing the concession process. Each application was treated on a bilateral basis.

The '80's-'90's was a transitional period between the old open door policy and the present open bid tendering system.

The open bid tendering system, which is now in effect, seeks to standardize concession awarding process giving equal opportunities to applicants alike without discrimination or favoritism. This system is governed by several policy instruments. These will be discussed in subsequent sections of this paper.

There are sharp contrast between concession agreements awarded under the open door policy and those awarded under the open bid tendering system. These disparities can be glimpsed from looking at the characteristics of the LMC agreement and the general provisions for awarding concessions at present. See the *italicized* section below for details.

Some major characteristics of the initial LMC concession agreement are outlined below.

- ✓ ***The term of the concession agreement was 80-years, with a 3 ½ year exploration period;***
- ✓ ***It gave an individual exclusive exploration rights in an area of about 3 million acres, within a radius of 40 miles of the Bomi Hills;***
- ✓ ***It also gave the individual the exclusive mining rights in respect of all minerals except gold, diamonds and platinum in a smaller area (of maximum 25,000 acres);***
- ✓ ***The Liberian Government was to be paid an exploration tax of US \$1200 per year and, after the 3 ½ year exploration period, US \$3,000 per year;***

- ✓ *Further, a surface tax of initially 5 cents per acre and which would gradually climb up to 25 cents, and a basic royalty of 5 cents for each ton of iron ore exported;*
- ✓ *The concessionaire became exempted from all taxes in lieu of this exploration tax, surface tax and royalty.*

Brief of characteristics of current agreements:

- ✓ *The term of current concession agreements is limited to an initial 25 years; with a 3-5 years exploration period;*
- ✓ *Exploration areas are limited to 1,000 Sq. Km (247,000 acres);*
- ✓ *Income to Government is very much higher through a more efficient tax Code and sound negotiations;*
- ✓ *Tax exemption is not total;*
- ✓ *Infrastructure development is highlighted;*
- ✓ *Contribution to community development is a must;*
- ✓ *Provision of basic social services – education, health, safe water, etc. – are mandatory;*
- ✓ *In case of brown field projects that are tendered, an upfront payment of no less than US\$15 million is required.*

Policy Instruments Used in Awarding Concession Agreements

The current concession awarding process is governed by the Mineral and Mining Law of 2006 and the Public Procurement and Concession Act. The Ministry of Lands, Mines and Energy has also adopted other policy documents to guide and regulate the mineral industry. These include the Model MDA, Liberia Draft Minerals Policy, and Exploration Regulations. Mineral resources are vested in the Republic as stated in the New Minerals and Mining Law (MMA) of 2000, Section 2.1. This section states that “Minerals on the surface of the ground or in the soil or subsoil, rivers, streams, watercourse, territorial waters and continental shelf are the property of the Republic of Liberia and anything pertaining to their Exploration, Development, Mining, and Export shall be governed by this Law.” This law was strengthened by the Public Procurement and Concession Act (PPCA) of 2006 which sets out a transparent and competitive system for the concession of known state mineral assets. Current assessments and evaluations leading to concession agreements in the mineral sector are guided by essential technical, social, financial, environmental and economic issues related to the management of Liberia’s mineral wealth for sustainable development.

Mining Concessions Impacts on Liberians

The government of Liberia is under obligation to use revenue accrued from mineral assets for the general good of the Liberian people. To make productive use of these resources requires the attraction of private investment and skills. The interests of present and future generation of Liberians must be the cardinal focus in getting these private investments to facilitate the development of mineral resources in an optimal manner that will husband the resources and maximize the economic linkages for sustainable local and national growth and development.

The mineral sector has the potential to jump-start the reconstruction of the country and to underpin sustainable resource-based growth and development.

References

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