



REPUBLIC OF LIBERIA

Draft 5

Mineral Policy of Liberia

Ministry of Lands, Mines and Energy

Monrovia, Republic of Liberia

August 2008

Government of the Republic of Liberia
(Draft Mineral Policy)

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Acronyms

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Write specific policy statements

Preface or forward needed

Optimisation of mineral resource development

1 Liberia Mining Vision

Towards Liberia Mining Vision for the 21st Century

Vision Statement

“Equitable and optimal exploitation of Liberia’s mineral resources to underpin broad-based sustainable growth and socio-economic development”

The shared vision will aim to achieve:

- A knowledge-driven mining sector that catalyses & contributes to the broad-based growth & development of, and is fully integrated into, an African market through:
 - Down-stream linkages into mineral beneficiation and manufacturing;
 - Up-stream linkages into mining capital goods, consumables & services industries;
 - Side-stream linkages into infrastructure (power, logistics, communications, water) and skills & technology development (HRD and R&D);
 - Mutually beneficial partnerships between the state, the private sector, civil society, local communities and other stakeholders; and
 - A comprehensive knowledge of its mineral endowment.
- A sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender & ethnically inclusive, environmentally friendly, socially responsible and appreciated by surrounding communities;
- A mining sector that has become a key component of a diversified, vibrant and globally competitive industrialising Liberian & African economy;
- A mining sector that has helped establish a competitive Liberian & African infrastructure platform, through the maximisation of its propulsive local & regional economic linkages;
- A mining sector that optimises and husband Liberia’s finite mineral resource endowments and that is diversified, incorporating both high value metals and lower value industrial minerals at both commercial and small-scale levels; and
- A mining sector that is a major player in vibrant and competitive national, continental and international capital and commodity markets.

2 Introduction

The management of Liberia's natural resources is a critical aspect of the Government's reconstruction and development programme. This policy document seeks to provide a framework for the sustainable management of the country's mineral resources and to guide interventions by government institutions as well as other stakeholders. It sets out the expectations for the sector to contribute not only to the revitalisation of Liberia's economy but more broadly to social regeneration and the enhancement of a democratic culture.

Mining in itself is clearly not sustainable, as it depletes a finite national asset. However, mineral extraction can indirectly become sustainable in so far as it catalyses sustainable economic activity in other, sustainable, sectors, through maximising the economic "linkages" whilst the resource is still extant. The principal linkages are:

1. The re-investment of the **resource rents** into sustainable activities;
2. The use of mineral **infrastructure** (transport, power, telecoms, etc.) to underpin the viability of other sustainable sectors;
3. Maximising **downstream** linkages ("beneficiation") for the establishment of mineral-based industries;
4. Developing the **upstream** linkages by establishing mineral supplier (inputs) industries (services, capital goods, consumables);
5. Optimising the mineral **technology** linkages and the facilitation of "lateral migration" into non-mineral-based sectors.

Strategies to develop these complex and diverse linkages are dealt with below.

A Liberian Minerals Policy, to guide strategies and decision making, is all the more opportune and pertinent at the current global juncture of rapid and sustained growth in Asia, particularly China & India, that has dramatically increased mineral demand and mineral prices. Given that the population of developing Asia is more than three times that of the industrialised (OECD) countries, it can be expected that this high mineral demand cycle could continue for several decades. This provides a *unique opportunity* for Liberia to use its mineral resource endowment wisely, to underpin integrated and diversified national growth & development, and to avoid the pit-falls of the "resources curse".

While not going into minute details regarding the legal and fiscal terms for mineral operations, this policy document seeks to give adequate indications to the investment community (both national and foreign) of a competitive mineral regime informed by international trends and norms which is also grounded in local needs and realities.

Mineral resources are vested in the Republic as stated in the New Minerals and Mining Law (MMA) of 2000, Section 2.1. This sections 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 Concessioning Act (PPCA) of 2006 which sets out a transparent and competitive system for the concessioning of known state mineral assets. The obligation to use these resources for and be accountable to the people of Liberia is fundamental to Government. To make productive use of these resources requires the attraction of

private investment and skills. Thus, the policy focuses on advancing the interests of present and future generations of Liberians in the context of getting private investment to facilitate the development of mineral resources, but in an optimal manner that husband the resource and maximises the economic linkages for sustainable local & national growth & development.

3 Key Principles of the Mineral Policy

Before 1990, the mineral sector contributed greater than 65 percent of export earnings and approximately 25 percent of GDP. During the civil unrest that ensued, the contribution was reduced to negligible levels for almost 15 years. All major mines were closed, leading to job losses, reduced government revenues and foreign exchange earnings. In addition, in the later years, proceeds from small-scale (mainly diamond) miners were used, to a large extent, to finance the civil strife. Hence, from its past strategic position in the economy, the mineral sector has the potential to jump-start the reconstruction of the country and to underpin sustainable resource-based growth & development.

The main challenges of the current Government are therefore, to revive the mineral sector as the engine of economic growth and reconstruction, in order to enhance the contribution of the sector to government revenues, foreign exchange earnings, employment creation, ancillary economic activities, human resources & technology development and the improvement of social and physical infrastructure. To meet these challenges, the objectives of the Government for the mineral sector are:

- a) to revive the minerals sector as an engine for economic growth and reconstruction through partnership with the private sector; which will require government, inter-alia, to:
 - i) establish an internationally competitive, stable and conducive business climate to attract and sustain foreign and local investment;
 - ii) formulate a fiscal and concessioning regime that assures the country of fair value for its resources, while offering equitable rewards to private investors;
 - iii) establish procedures to determine the optimal methods for the concessioning of known and unknown mineral assets order to maximise returns to the nation from its finite endowment;
 - iv) establish a mechanism for evaluation of competing land use options;
 - v) minimise and eliminate adverse social and environmental impacts due to mining activities;
 - vi) ensure that mineral wealth supports national economic and social development;
 - vii) regularise and improve artisanal and small scale mining activities in order to enhance the potential to create employment, generate income and help reduce poverty in the rural areas;
 - viii) to ensure equitable distribution of benefits from mining activities to meet both current and future needs;
 - ix) to ensure equitable access to the sector by all Liberians, irrespective of gender or ethnicity;
 - x) to ensure consultation of all stakeholders and project affected people from exploration through mining and post- mine closure;
 - xi) to ensure availability of effective administration and management of the mineral sector;

- b) to ensure that the mineral sector contributes significantly to broad-based national growth & development, through the maximisation of the mineral economic linkages, particularly:
 - i) the re-investment of the resource rents into sustainable activities;
 - ii) the use of mineral infrastructure (logistics, power, water, telecoms, etc.) to underpin growth in other sectors;
 - iii) the maximisation of down-stream linkages (“beneficiation”) for the establishment of mineral-based industries;
 - iv) the development of the up-stream linkages by establishing mineral supplier (inputs) industries (services, capital goods, consumables);
 - v) the optimisation of skills & technology linkages and the facilitation of “lateral migration” into non-resource-based sectors/activities; and
- c) to ensure that mineral sector development takes advantage of initiatives and collaboration at regional, continental and international levels to assure best practices and good governance for accelerated growth & development.

4 Mineral Endowment

Liberia is endowed with a variety of mineral resources, both higher value metals and industrial minerals. Gold, diamonds and iron ore are the principal mineral resources occurring in ancient greenstone belts in many parts of the country, as well as traces of platinum, uranium and niobium, and base metals such as nickel, cobalt, tin, lead and manganese. Industrial rocks and minerals such as sulphur, phosphates, clays (kyanite), granite, silica sand, heavy mineral sands (rutile & ilmenite) and diabase/dolerite are also known to exist in both small and large quantities.

The Government is committed to attracting and enabling private sector investments for the development of mineral deposits, particularly iron ore mines, and to promote new investments in exploration and development of gold, diamonds, base metals and other mineral deposits. Geological information and mineral data will be made readily and widely accessible to both small and large scale prospective investors.

5 Regulatory Framework

The Government of Liberia is committed to the creation of a stable and conducive business climate. In the context of the legal and regulatory framework for the mineral sector, this involves an open, transparent and competitive auction procedure for known mineral deposits (guided by the PPCA) as well as a predictable licensing system for unknown deposits, with clearly defined rules and regulations setting out simple and transparent procedures for the allocation of rights, the conduct of exploration activities, the transition from exploration to mining rights, the transfer of these rights and the conduct of mining. The rules must guarantee security of tenure and the orderly carrying out of business. The licensing system shall ensure exclusivity of specified mineral rights over licensed areas. At the same time, the title system must encourage active mineral exploration and exploitation but discourage sterilisation for speculative and/or other purposes. Disputes relating to mineral rights must be addressed timeously and fairly by government (Ministry of Lands, Mines and Energy) and, if no settlement is reached, the courts of Liberia or international arbitration, in defined circumstances.

An accessible web-based mining cadastre information management system will be established which will significantly enhance transparency in the award and monitoring of mineral rights. The principle of First-In-First-Assessed (FIFA) will form the basis for conferring mineral exploration rights over areas where the state’s mineral assets are unknown and a transparent & competitive auction system will be

used to concession known mineral deposits under the PPCA. To ensure coherence in decision-making, the harmonisation the New Minerals and Mining Law with other statutes being administered by other institutions that directly or indirectly affect the development of the mineral sector, particularly the PPCA, will be effected.

The allocation of resources to strengthen the institutions with oversight responsibilities is a critical part of the Government programme. The relevant institutions will be encouraged to consult and develop understanding between them as to their respective roles in and contributions to decision-making which impacts on the minerals sector. Mineral Development Agreements will be standardised and deviations from national fiscal, environmental and other regimes will be minimised. A mining cadastre system will be implemented to ensure equitable treatment of holders of mineral rights. This would lead to transparency and clearly defined mineral titles. Application forms as well as licence fees will be standardised. While recognising that it may be necessary to group minerals rights or operations into categories for the purpose of facilitating the targeting of incentives and mineral administration, the Government of Liberia is committed to the broad principle of non-discrimination amongst mineral rights holders and other economic activities.

6 Equitable and Competitive Fiscal Framework

The fact that minerals constitute a non-renewable resource makes it necessary for the country to maximise the economic linkages, particularly the collection economic rents in compensation for the forgone benefit, due to giving up its mineral resources for private sector exploitation. The substantial impacts that mineral operations can have on the environment, society and future generations warrant that appropriate policy prescriptions be developed by the government to provide a mechanism for compensation as well as incentives to encourage sustainable development of its mineral resources, through the catalysation of sustainable economic activities.

The substantial contributions to growth and development that can be realised by mineral resources require significant investments. Developing or finding a commercial mineral deposit and developing it into a mine is risky business. In mineral exploration, there is no guarantee of finding a deposit that can be mined profitably. There is often a long lead-time between expenditure on exploration and development, on the one hand, and revenue generation from mining on the other hand. In addition, the fact that major mineral deposits occur in remote areas characterised by poor social and physical infrastructure raises the costs of doing business. In addition, there are currently limited skills and financial resources and services available within the country. Thus, significant expenditure on mineral operations will be initially have to be made outside the country in bringing in the requisite skills and technical and financial resources, until such time that these are developed and become available locally. However, known mineral assets with a low delineation risk need to be competitively bid to ensure transparent price discovery, in order to maximise the nation's share of the value of these non-renewable assets.

The Government of Liberia recognises the need to devise a fiscal regime that assures the country of fair value for its resources while offering sufficient incentives that will ensure fair and reasonable return to private investors. Such a regime should allow the investor to recover exploration and development outlays in a timely manner, to achieve an acceptable rate of return commensurate with risk and to meet financial obligations to creditors and suppliers. The government shall institute a well-

designed fiscal regime that encourages investment, optimises economic linkages, exemplifies transparency, and captures reasonable and sustained revenue for the Liberian people. Fiscal policies that include tax incentives geared toward a fiscal environment that caters to the interests of both the government and the investors shall be implemented within the confines of achieving national fiscal and regulatory economic uniformity. The policies shall be based on the New Mining and Minerals Law of 2000, the Public Procurement & Concessions Act and the fiscal regimes of the Government of Liberia and shall be in conformity with best international practices in the mineral industries as well as national exigencies.

Mineral deposits often embody “resource rents” which are profits in excess of the normal rate of return, arising from the particular above average nature of the deposit (grade, yield, location, etc.) also known as “differential rents”, as well as “windfall rents” arising from excess demand over supply. Such excess rents need to be equitably shared between the asset owner (Liberia) and the asset exploiter. The proposed new Liberia Revenue Code (LRC) should cater for this in a transparent and equitable manner.

The goal is to establish a fiscal regime which:

- (1) Optimises the inherent value of the mineral resources;
- (2) is efficient (in that it encourages optimal extraction and avoids selective mining of high grade ore),
- (3) garners an equitable share of the resource rents for the nation and the developer;
- (4) uses internationally best-practice instruments,
- (5) is transparent & competitive and takes account of African trends,
- (6) is simple to administer,
- (7) eliminates non-standard incentives for specific rights holders, and
- (8) provides mechanisms to ensure:
 - (a) local processing (value addition),
 - (b) the development of local supplier industries,
 - (c) increased training and employment of locals,
 - (d) local technology development (R&D) and
 - (e) the integration of mining with other sectors.

A process of reviewing the fiscal regime for mining is underway which, in addition to the above as objectives, will also seek to:

- (1) establish capacity, procedures and methods to ensure that taxes owed to the Government are properly assessed and collected,
- (2) encourage easy availability of pertinent information on fiscal policy, the tax regime and other pertinent legislation for mineral operations and
- (3) provide mechanisms for a sufficiently stable regime to provide investors with an adequate time horizon for planning and achieving adequate returns on investment.

7 Competing Land Rights and Land Use Options

Mining involves intensive use of land and can adversely affect other uses. The Government of Liberia shall establish a framework for the evaluation and management of competing land use options with a view to maximising the sustainable developmental potential for the nation and future generations. This will involve recognition of the rights of other land users, the development of procedures for identifying and consulting potentially affected communities and persons as well as appropriate compensation principles, including criteria for considering

resettlement options. Adequate administrative mechanisms and procedures shall be put in place to mitigate conflicts arising from competing land use.

8 Environmental Stewardship and Social Responsibility

Among the key principles set out in Liberia's environmental policy are that development should be based on sustainable natural resource use and sound management and also that full environmental and social costs or benefits foregone should form part of public and private sector planning. The policy also calls for an integrated and multi-sectoral systems approach to resource and environmental planning. The application of this approach and these principles to decision-making relating to and the conduct and supervision of mineral operations requires compliance with the environmental protection laws of Liberia and international best practices in the sustainable use of the natural resources. The National Environmental Protection Agency (EPA) of Liberia is central to the formulation and implementation of relevant principles and guidelines and in this regard customised environmental protection guidelines for mineral exploration and exploitation will be formulated jointly by the EPA and the MLME.

No significant mineral operation will be permitted without an environment and social impact assessment having been conducted, evaluated and approved by the Liberia Government. Plans for managing environmental and social impacts must be incorporated into the assessment reports. These must, right from the inception of the operation, include plans for redressing physical impacts upon closure of the mine as well as for sustaining community livelihoods thereafter.

The conduct of impact assessments must involve early consultation with the potentially affected public and open hearings will generally constitute a part of the evaluation.

The Government of Liberia is committed to nurturing an environment for compliance and enforcement with the highest standards of corporate social responsibility by entities involved in mineral operations.

9 An Integrated Mining Sector

While the development of Liberia's mineral resources will generate revenue and provide materials for reconstruction, the sector's contribution to national development would exhibit the multiplier effect if mining activity were better integrated into the national economy. In that regard, opportunities for fostering up-down- and side-stream value addition will be pursued. As industrial minerals sometimes have a greater potential for linkages with other sectors of the economy, attention will be paid to encouraging their development.

The concept of Spatial Development Initiatives (SDIs, also known as "Development Corridors") was developed in southern Africa and is based on using high-rent resource exploitation projects serve as anchors for the development of infrastructure that can then underpin the development of other sustainable economic potential such as agriculture (& agri-processing), forestry (& processing), tourism, etc. and other related ancillary industries in the area. The promotion of such integrated Spatial Development Initiatives, to unleash the full growth and development potential, will form an important feature of Liberia's resources development policy.

The government encourages more linkages with infrastructure considering that many mining projects utilise substantial infrastructure from mine to port and consume large amounts of electricity. The government would ensure that infrastructure needs of large-scale mines are integrated into national and regional economic planning with appropriate regulatory framework to ensure open access at non-discriminatory prices.

The development of local small, micro and medium-scale enterprises (SMMEs), especially in the procurement of goods and services, will be encouraged.

The Government of Liberia will look for possibilities for promoting forward linkages. Studies will be undertaken to explore the potential for such forward linkages in the iron and steel industry, for development of lapidaries and jewellery industry, for establishing gold refineries and jewellery industries, for local processing of nickel, cobalt and manganese and for local fabrication using some of the country's mineral resources.

In summary, all mineral economic linkages will be optimised:

1. Down-stream linkages into mineral beneficiation and mineral-based manufacturing;
2. Up-stream linkages into mineral capital goods (plant & machinery), services and consumables (supplier industries), and
3. Side-stream linkages into physical infrastructure (logistics, power, water, telecoms, etc.) and human infrastructure (skilling, technology transfer & development, universities, colleges, etc.).

These linkages will be optimised through integrated SDIs and the formulation of appropriate economic incentives and disincentives that will encourage the mining companies to deepen their economic footprint within Liberia.

To pursue viable policies for integration, there is a need to take account not only of the Liberian economy but more broadly the economies of the Mano River Union, ECOWAS and the African Union. In order to achieve viable markets and critical economies of scale we need to integrate into larger African markets in terms of both mineral inputs and outputs.

The minerals sector needs to be fully integrated into poverty reduction and other national development strategies in order to achieve holistic growth & development.

10 Artisanal and Small-Scale Mining (ASM)

The artisanal and small-scale mining ("ASM") sector has the potential to create employment, generate income and help reduce poverty in rural areas and migration from the rural areas to urban areas. However, it also has the potential for significant environmental degradation, negative impacts on health and life-threatening pollution of bio systems (e.g. mercury from ASM gold recovery).

An integrated approach is required in addressing ASM issues. Since ASM is largely a rural activity, any programme for it needs to be linked with rural development plans and designed based on a clear profile of who are engaged in the activity, when they mine and what else they do.

Many ASM miners require training in business and technical skills, to assist them to mine sustainably, as well as other skills to help them in their alternative economic

activities. The Government of Liberia will facilitate the provision of such skills and the modernisation of the sector by giving access to appropriate technologies, such as mercury-free gold processing. The Government of Liberia will also make available extension services to support ASM operations through technical advice and capital (micro-loans) schemes. Work will be done to identify areas to be designated for ASM support and monitoring. The procedures for licensing ASM are being evaluated with a view to simplifying them and catering for illiterate citizens

To enable artisanal and small-scale miners to obtain financial facilities, consideration shall be given to enhance the creditworthiness of their operations and license tenure.

Artisanal and small-scale miners need help in procuring lawful access to deposits, to markets and to information about fair prices for their products. A regime for licensing buyers of their products, with an accessible register of persons so licensed will help in this regard. The establishment of assay laboratories to determine the content of ore offered for sale can reduce opportunities for buyers to take advantage of the miners as well as appropriate technologies to produce higher grade (standard) products. The development of an internet-based portal for marketing precious minerals would also assist the miners to obtain technical & business advice as well as competitive prices. While a number of the ventures identified here will not be undertaken by the state, to the extent that reasonable incentives and the streamlining of procedures can encourage private investment, these will be considered.

The artisanal and small-scale mining sector could be strengthened by the miners organising themselves into associations and, in some instances, cooperatives, in order to improve economies of scale and creditworthiness.

The relationship between large-scale mining enterprises and the ASM sector need not be an antagonistic one. The smaller-scale miners can benefit from technical inputs and advice from the large-scale operators as well as providing markets for further processing at the large-scale facilities (the “out-grower” concept). Forms of co-operation can help the large scale miners reduce policing costs and gain acceptance and credibility in the community.

11 Quarrying (sand, stone, clay and laterite mining)

The Government of Liberia recognises the need for special procedures to regulate mining of construction materials for the reconstruction of the country. There is, however, a growing concern on beach erosion caused by uncontrolled sand mining. The Government of Liberia shall put mechanisms in place to ensure sustainable mining of industrial rocks and minerals for construction and traditional purposes.

12 Transparent Benefits from Mining

The Government of Liberia is committed to providing information on available revenue and other benefits obtained from mining. To this end, it will adhere to the principles elaborated by the Extractive Industries Transparency Initiative (EITI).

The Government of Liberia will ensure that communities adversely affected or that could be thus affected by mining operations derive regular and significant benefits from those operations. A predictable formula shall be put in place to determine such

benefits, which shall include but not be limited to revenue allocation, access to employment, the provision of infrastructure for local use and resources for local education and skills formation. Mining companies will be encouraged to develop local supply chains for their purchases, thereby integrating themselves into the local economy.

The Government of Liberia will also strive to maximise the wider benefits from mining on the regional and national economies, in a transparent and equitable manner.

13 Developing with Broad Participation

The Government of Liberia policy shall encourage broad and more direct participation of all stakeholders which shall promote critical social acceptance of mineral projects. Thus both project sponsors and Government have responsibilities for developing and disseminating procedures to enhance effective consultation and participation. The facilitation of local equity participation in mining ventures could also help in enhancing acceptance.

14 Building Capable Institutions

The Government of Liberia shall allocate a portion of revenue derived from mineral resources to strengthen the capacity of relevant state monitoring and promotion institutions. The Government of Liberia acknowledges the weak state of its institutions, whether of governance, facilitation, promotion or training. Securing funding to strengthen them is a major challenge to which it shall devote attention. In addition the Government of Liberia will seek to facilitate the establishment and growth of private sector entities to underpin a vibrant mining sector in areas such as finance, services, training/skilling, suppliers and consumers of minerals.

15 Investing for the Future (Sustainable Investment)

Mining resources are finite. The wealth generated from mineral resources has to be harnessed to provide a platform for development and growth well after they are exhausted. Revenue accrued from the nation's mineral resources shall also be invested in other forms of capital, especially human and social infrastructure, as well as social assets. It calls for prudence in investment decisions, fiscal discipline and the effective monitoring of disbursements and expenditure. We must build the capacity to predict and manage our revenues even as they fluctuate because of commodity price changes.

In this regard we need to ensure that mineral extraction creates the maximum local economic linkages whilst this temporal window of opportunity is still open, as these linkage industries can continue post-mining.

16 Expected Outcomes

The overall goals can be expressed in terms of broad-based development, growth and poverty reduction and significant improvement in the governance culture of the

country. In the end, the performance of government has to be measured by reference to its contribution to these broad goals.

The impact of the minerals sector on the broad national development goals will be assessed in terms of its contribution to:

- (1) national revenue and foreign exchange earnings,
- (2) the creation of inclusive sustainable employment,
- (3) the provision of raw materials for down-stream industries & national reconstruction,
- (4) the improvement in social and physical infrastructure,
- (5) industrial development (up-, side- & down-stream linkages) and the stimulation of new economic activity through the provision of the requisite infrastructure;
- (6) positive impacts on the environment and local communities;
- (7) development of sustainable ASM operations and communities;
- (8) the improvement in human infrastructure (skills formation & knowledge creation) and
- (9) technology transfer and development.

A scorecard will be formulated to enable us monitor these contributions.