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Climate Justice Research on Domestic Resource Mobilization in Extractive Industry in Liberia

ActionAid Liberia Extractive & Climate Financing Project

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DISCLAIMER

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Executive Summary

Liberia is an extremely resource endowed nation, heavily dependent on the extractive industry. The extractive industry comprises of Mining, Agriculture and Forestry. This industry constitutes more than 50 percent of the country's GDP. Amidst this, the industry only contributes on average approximately 16 percent to the country's domestic resource envelop. Much of this can be blamed to the favorable fiscal incentives enjoyed by this sector through the Liberian Revenue Code as Amended, Concessions agreements and other fiscal instruments.

Amidst this, the country faces significant constraints to which domestic resource mobilization remains the only sustainable driver for economic growth and development. One major constraint that the country currently faced is posed by climate change and its impact, which continues to threaten the sustainability of Liberia. Like many other countries throughout the world, increased flooding, unpredictable weather patterns, increased demand for forest resources, water scarcity, increased vector-borne disease, biodiversity loss, rising temperatures and sea levels, powerful coastal storms, heavier rainfall, erosion, sedimentation, etc. continues to threaten sustainable livelihoods in Liberia. Hence, the need to invest in adaptation cannot be overemphasized.

In 2021 NDC Financing Strategy, Liberia estimated US$490 million to achieve its climate and green growth ambitions through 2025. To date, only US$30 million has been secured through a partnership between UNDP and the Government of Liberia, with zero private sector support. Hence, a financing gap of US$460 million will need to be mobilized if the country is to achieve their ambitious targets. While the third round of NDC (3.0) is due in 2025, there has been an update in activities reflecting a Funding Committed to NDC implementation of US$555.44 million, to which only US$195.85 million has been disbursed. Hence, the most current financing gap is US$359.55, reflecting efforts from donor partners and Government (EPA, 2024).

To address these financing constraints, the country needs to prioritize climate responsive fiscal regimes that will enhance domestic revenues, particularly harnessing the opportunities within the extractive industry. To begin with, the issues of aggressive tax planning, poor governance, unnecessary tax incentives, lack of government and CSO oversight, as well as lack of mineral beneficiation and manufacturing needs to be addressed. This can only be done by strengthening governance, reforming the fiscal regime to reflect proper legislation and contracting principles, investing in technologies to ensure proper valuation, monitoring of implementation of investment contracts, and enhancing the framework for accountability on the part of government.

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Acronyms

AMV	: Africa Mining Vision
ASM	: Artisanal/Small-scale Miners
ASYCUDA	: Automated System for Customs Data
EITI	: Extractive Industries Transparency Initiative
GDP	: Gross Domestic Product
LEITI	: Liberia Extractive Industries Transparency Initiative
LRA	: Liberia Revenue Authority
LRC	: Liberia Revenue Code
LTAS	: Liberia Tax Administration System
NDC	: Nationally Determined Contribution
NIC	: National Investment Commission
TNJA	: Tax Justice Network Africa
NRJN	: Natural Resource Justice Network
AAL	: Actionaid Liberia

1.1 Introduction

Liberia, like many other countries throughout the world, is facing climate change and its consequences. These include increased flooding, unpredictable weather patterns, increased demand for forest resources, water scarcity, increased vector-borne disease, biodiversity loss, rising temperatures and sea levels, rising sea levels, powerful coastal storms, heavier rainfall, erosion, sedimentation, etc. Other human-related causes include sand mining, pollution, and deforestation. The scenario has an impact on Liberia's ecology, putting strain on mangroves, wetlands, forest reserves, and coastal ecosystems, which act as shields and stabilizers.

The situation has socioeconomic consequences because it has resulted in decreased agricultural production, job and livelihood losses, increased health complications and costs, income and economic inequality, particularly in low-income communities, increased in frequencies of disaster, water scarcity, infrastructure damage, conflict, food security, etc. Hence the need to enhance the countries domestic revenue efforts cannot be overemphasized, particularly focusing on the extractive industry which accounts for more than 50 percent of the country’s GDP.

While Liberia’s extractor industry has significantly influenced its socioeconomic development and serves as a crucial engine for the nation’s economy through job creation and revenue generation, the activities and operations linked to this sector play a pivotal role in exacerbating climate change. This should attract the concerns of policymakers and advocates about environmental sustainability and social equity when it comes to the operations of actors in the extractor sector vis-à-vis its negative impacts on the environment and as a major agent of climate change.

This paper provides an assessment of Liberia’s fiscal policies relating to the extractive industry to ascertain its reflection of the African Mining Vision and other regional best practice policies emphasizing climate and tax justice. To carry out this study, desk reviews were conducted of the legal framework governing extractive industry taxation as well as other national policies relating to climate change. Economic indicators such as the GDP, tax and customs data were also analysed to ascertain the revenue impact from the industry. It also assessed the climate financing gap to draw stakeholder’s attention to the challenges faced in implementing our Nationally Determined Contributions.

2.1 National Fiscal Policy & Framework Governing Extractive Activities in Liberia

The active sectors under the Liberian Extractive Industry are Mining, Forestry and Agriculture. These sectors are governed by the Mineral & Mining Act of Liberia (License Issuance), the Liberia Revenue Code and Concession Agreements. Chapter 6 of the Mineral and Mining Act of Liberia categorizes mining actors into Artisanal/small-scale miners (ASM) (Class C), Medium size domestic enterprises (Class B), and Large-scale mining and exploration companies (Class A) (AN ACT ADOPTING A NEW MINERALS AND MINING LAW: PART 1, TITLE 23, LIBERIAN CODE OF LAWS REVISED:, 2000).

Small and medium enterprises qualifying for Class B & C license can obtain same at a fee of US$10,000.00 and US$150.00 as prescribed by the Ministry of Mines Regulations (LEITI, 2023). For Class A license, a Mineral Development Agreement is required. Mineral Development Agreements are ratified by the Legislature, thus making it binding on the state. These agreements set out for beneficiaries the concession area, development program, capital expenditure, license, transferred asset, employment, social expenditure, applicable taxes, fiscal incentives as well as production targets. Large scale agriculture projects beyond US$10 million are also subject to concession regime.

The fiscal regime governing extractive industry is prescribed in the Liberia Revenue Code as Amended (The Liberia Revenue Code as Amended, n.d). Section 16 of the Liberia Revenue Code sets out the basis for granting incentives to investment in qualifying sectors, of which the extractive industry forms an integral part. Capital Investments between US$500k and US$9.9 million are subject to investment incentive. Without incentive, the sector is to be governed by the provisions of the Liberia Revenue Code, subjecting it to Corporate Income Tax for Mining Activities of 30 percent as prescribed by Section 702 (a), 15 percent under Section 602 for rice production, and all other activities at a rate of 25 percent under Section 200 (c). All employees within the extractive sector are also subject to Personal Income Tax as provided under Section 200 of the Revenue Code. In addition to import duties as prescribed by the Harmonized System Code (HS Code) and other applicable fees, fiscal provisions set out in the revenue code can be found in Table 1.

In terms of international transactions, the Liberian government has made efforts to combat tax motivated illicit financial flows through the Liberia Income Tax Transfer Pricing Regulation, which is consistent with the Arm's Length Principle in Article 9 of the OECD Model Tax Convention on Income and Capital and the United Nations Model Convention. Section 208 of Liberia Revenue Code provides the definition of related persons. The mechanism used to resolve transfer pricing issues are Rulings, enhanced engagement programs, Advance Pricing Agreements (APA), Unilateral APAs, Bilateral APAs, Multilateral APAs, Mutual Agreement Procedures amongst others (OECD, 2024).

Table 1: Fiscal Policies Governing Extractive Industry as Prescribed by the Liberia Revenue Code

1.	200(b), 201, 602, 702	Corporate Income Tax (Legal)	15% - 30%	If Annual Gross Income is > L$3,000,000 • 15% Rice Production • 30% Mining • 25% other Categories
2.	806b, 905b	Withholding on Interest, Dividends, Royalties, License Fees & Similar Payments (Non Resident/ Resident)	15%	The payee may elect to file
3.	806d, 905d	Withholding on Payers of Rent (Non Resident/Resident)	Non Resident – 15%; Resident – 10%	For resident, amount is taxable only if the total amount of rental payments made during a 12-month period is expected to be $70,000 or more. The payee may elect to file.
4.	806e, 905f-1,2&3	Withholding on payments for services rendered (Non Resident/Resident)	Non-Resident 15%; Resident 10%	For Resident, amount is taxable if payment is ≥100,000, payments annual summation is expected to be ≥ 1,000,000 The payee may elect to file
5.	806f, 905h	Withholding under Special Rule for Mining, Petroleum & Renewable Resources (Non Resident/Resident)	Interest 5%; Dividend 5%; Payment for Services Rendered 6%	Applies only to Payments by Mining Projects, Petroleum Projects, and Renewable Resource Projects Payee may elect to file
6.	604a	Surface Rent	Developed Land: US $2 per Acre; Undeveloped Land: US $1 per acre	This is irrespective of the value of the assets contained thereon, and mainly applies to land used for agricultural activities
7.	704a-1	Royalty on Iron Ore	4.5%	Due and payable at the time of each shipment in the amount of the stated percent of value of commercially shipped mineral
8.	704a-2	Royalty on Gold and other base metals.	3%	
9.	704a-3	Royalty on Commercial Diamonds	5%	
10.	704a-4	All other mineral	2-3%	
11.	704b-1A	Rent for Land within Mineral Exploration License Area	US$0.20	
12.	704b-1B (i) & (ii)	Rent for Land within a mining license area	US$5.00/acre for Year 1-10 & US$10/acre for Year 11-25	
13.	741	Income Tax for Petroleum Product	30%	The rate of tax on taxable income from a petroleum project shall be 30 percent.
14.	753	Royalty on Petroleum Producer	10%	A petroleum producer, including the National Oil Company of Liberia, engaged in the exploitation or extraction of petroleum deposits of Liberia is required to pay a royalty at the rate of 10 percent on gross production before the deduction of any cost.
15.	1001-1002	Goods Tax Imposed	10%	A goods tax is imposed on every taxable supply by a registered manufacturer, and every taxable import (Specified in 1001 & 1002)
16.	1021	Service Tax Imposed	10%	A tax (to be known as the "services tax") is imposed on every supply of taxable services in Liberia by a registered services provider in accordance with Section 1021 – 1025
17.	2000b-2B	Rates on Unimproved Land Used for purpose other than Farmland	$5/acre or $200/parcel	Parcels of land as defined herein and used for any purpose other than farmland—a tax of $5.00 on each acre or fraction thereof provided that the minimum tax levied under this provision shall be $200 on each parcel in accordance with Section

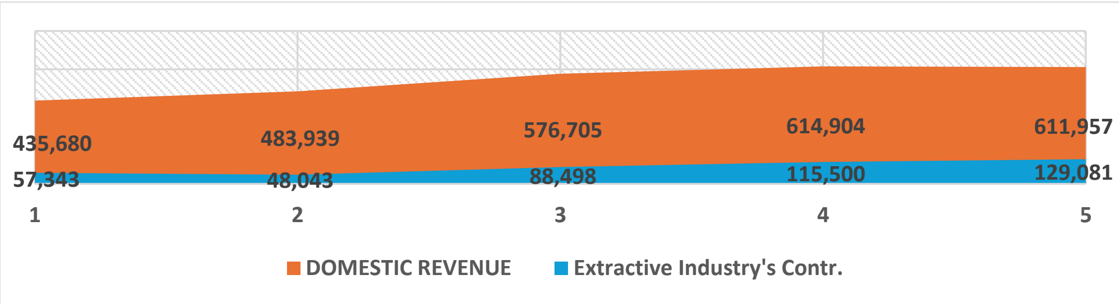
Liberia as a resource endowed country is heavily dependent on the extractive industry. In fact, the Extractive industry accounts for approximately 56.61 percent of Liberia's GDP (CBL, 2022). However, it has over the last 5 years contributed an average of only 16 percent. A review of the Liberia Tax Administration System (LTAS)[1], which is managed by the Liberia Revenue Authority revealed the following collection history. This disproportionate contribution can be largely attributed to the favorable tax regime through discretionary fiscal incentives granted actors within the sector under Section 16 of the Liberia Revenue Code and Concession Agreements. This study has also endeavored to discuss same in Section 2.4.

Table 2: Revenue Collection History (2019 – 2023)

FIGURES IN '000 US$

DESCRIPTION	2019	2020	2021	2022	2023	Grand Total	Ave. % Contr.
TOTAL REVENUE	435,680	664,397	692,556	752,422	715,922	3,260,975	
DOMESTIC REVENUE	435,680	483,939	576,705	614,904	611,957	2,723,183	100%
Extractive Industry's Contr.	**57,343**	**48,043**	**88,498**	**115,500**	**129,081**	**438,465**	**16%**
AGRICULTURE	21,170	14,366	14,337	16,877	12,456	79,206	3%
FORESTRY	4,582	4,241	4,808	4,222	2,476	20,329	1%
MINING AND QUARRYING	31,591	29,436	69,353	94,400	114,150	338,930	12%

Figure 1: Extractive Industry Contribution to Domestic Resource Envelop[2]



Source: Liberia Tax Administration System

2.2 National Climate Policy Impacting the Extractive Sector in Liberia

The Environmental Protection Agency, which is the lead on Climate Change Adaptation in collaboration with the UNDP developed the National Climate Change Adaptation Plan in 2020. This document sets out the overall framework guiding the country in the development, coordination and implementation of the National Adaptation process. It was developed with cognizance of the physical changes Liberia is currently experiencing in its climate, which results from anthropogenic global warming. Currently, Liberia faces warmer temperature, increases in annual rainfall leading to floods, loss of biodiversity, amongst others. This has led to epidemics, floods, tropical storms, tidal abnormalities, coastal erosion and droughts. While past national policies, including the Agenda for Transformation emphasized the need for actors within the extractive industry to effectively manage the environment, ensuring sustainable livelihood and economic prosperity, it is important to note that the Liberian economy is heavily reliant on the extractive sector. Giving the potential risk that the value chain within the extractive industry poses to climate change, the Climate Change Adaptation Plan recommended the need for stakeholders within the sector to

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[1] The system used for Tax Data

[2] Year 1 to 5 represents 2019 to 2023

begin considering climate risk and the potential impacts of climate change on their operations and viability (EPA & UNDP, 2020).

To safeguard against the impact of activities within the extractive industry on the environment, the Government of Liberia have developed the Environmental, Social Impact Assessment (ESIA) Procedural Guidelines. This guideline was developed with the principal objective of ensuring effective environmental governance on the part of actors within the extractive industry. Before an extractive project (mining, agriculture or forestry) is implemented, an assessment is done to identify, predict and evaluate the potential environmental and social-economic effect, which is a prerequisite for issuance of environmental permits. The findings of the ESIA informs the decision to either go ahead with a project, alter or abandon same in extreme circumstances. The ESIA process involves application, submission of project brief, screening, notice of intent, scoping, impact analysis, evaluation of significance, mitigation and impact management, preparation of environmental impact statement or report, review, issuance and follow-up. Periodic environmental audits are also carried out to ensure compliance (EPA, 2017). THE IMPACT OF MINING ON GENDER, CLIMATE, AND ECONOMIC LIVELIHOODS IN WEAJUE COMMUNITY | ActionAid Liberia

As part of Liberia Nationally Determined Contribution, the Environmental Protection Agency developed a National Policy and Response Strategy on Climate Change in 2017. This document provides a framework to drive development in a climate smart and sustainable manner. It provides directives that relevant sectors of the economy should implement in response to climate change. This document strives to achieved "a climate resilient low carbon nation that responds to climate change while equally addressing its national development priorities in a sustainable and equitable way". This policy is built on the principles of climate change adaptation, which includes: "

1. Adaptation to short-term climate variability and extreme events to serve as a starting point for reducing vulnerability to longer-term climate change;
2. Adaptation at different levels in society, including the local level;
3. Adaptation policy and measures assessed in a development context; and
4. The adaptation strategy and the stakeholder process by which it is implemented given equal important" (EPA, 2018).

Section 8 of this policy clearly prescribes interventions to be made by various stakeholders. These interventions are categorized into adaptation, mitigation and cross cutting issues.

Proposed adaptive Interventions affecting the forestry and wildlife sector seeks to reduce forest dependent communities' reliance on forest resources by providing alternative livelihood opportunities. It also seeks to promote reforestation and afforestation, while enhancing the conservation and management of forest biodiversity through effective monitoring. In addition, it also seeks to promote consolidation of protected area network.

In terms of agriculture, the policy seeks to reduce vulnerability of agricultural systems to risks related to climate change through support to farmers through a robust monitoring system that detects early climate changes affecting agriculture production. To achieve this, it emphasizes the need to improve the effectiveness of pest, disease and weed management practices, while assessing crop vulnerability and suitability for different zones. It also emphasizes the need to enhance climate proof agro-infrastructure systems through capacity enhancement of extension officers in climate smart farming and livestock raising technology.

***Above**: Kongo mining company destroyed Coco and Plantein farms to divert the Bandu River for mining.*

For the mining sector, this policy prescribes that climate change adaptation principles are integrated to minimize climate stressor scenarios (environmental or ecological) as well as associated exacerbation effect. To achieve this, mining actors are to establish new designs of engineering standards that are climate compactible, while implementing climate resilience procedures. Design procedure to relocate assets from high-risk areas such as flood plains and coastal areas, while retaining and restoring natural buffers in coastal and river environments as well as incorporating biodiversity management program.

In terms of mitigation, the interventions prescribed for the forestry and wildlife sector seeks to improve Liberia's potential for carbon sequestration by promoting conservation, sustainable forest management, community forestry and curbing, as well as key drivers of deforestation and forest degradation. This amongst other things emphasizes the need to establish a national carbon registry.

For agriculture, the intervention in this regard is to encourage the utilization of sustainable agricultural system by encouraging lowland farming through investment in smallholder agriculture, while ensuring large-scaled concessions on degraded land to avoid and reduce national emissions levels.

In terms of mining, the intervention is to ensure that actors carried out their activities in an environmentally sustainable manner by gradually mixing the use of low emission energy sources and technologies. To this end, the introduction of cleaner production practices and technologies through clean energy models, while promoting diversification and integration of energy sources and hybrid technologies. It also encourages the establishment of environmental and energy management systems in the sectors, which exploring mechanisms and affordable technologies for capturing and storing GHG so that competitive carbon management policy is incorporated.

Lastly, Section 9.1 of the National Forest Reform Law of Liberia sets out 30 percent of Liberia total forest area or 1.5 million hectares for conservation (An Act Adopting the National Forest Reform Law of 2006).

2.3 Regional Policies and Frameworks Impacting Extractive Activities in Liberia

Liberia is an extremely resource endowed nation, heavily dependent on the extractive industry. The extractive industry comprises of Mining, Agriculture and Forestry. Activities in the mining sector is dominated by Iron Ore, Gold and Diamond Mining. Other untapped minerals with investment potential include *platinum, uranium and niobium and base metals such as nickel, cobalt, tin, lead, manganese, with sulfur, phosphates, clays (kyanite), granite, silica sand, heavy mineral sands (rutile and ilmenite), and diabase/dolerite existing in both small and large quantities* (NIC, n.d). Activities in the agriculture sector are largely cash crops such as rubber, oil palm, and cocoa, while activities in forestry are largely timbers. Food production in rice and other produce largely dominates the informal sector and are carried out on smaller scales.

In terms of the extractive industry contribution to the macro economics of Liberia, the sector together accounts for more than 50 percent of the country GDP (***Please see Table 3***).

Table 3: Liberia GDP (2021 - 2024)[3]

Years	2021	2022	2023	2024*	Ave. % Contr.
Agriculture & Fisheries	997.1	1,001.3	1,015.9	1,075.5	29%
Forestry	285.2	292.5	296.5	300.1	8%
Mining & Panning	545.3	621.8	665.4	699.9	18%
Manufacturing	194.8	199.1	211.9	222.0	6%
Services	1,216.4	1,275.3	1,363.4	1,444.0	38%
Real GDP	**3,242.4**	**3,398.4**	**3,553.2**	**3,741.4**	**100%**

Source: Liberia Central Bank

The multiple challenges undermining effective taxation in the extractive industry has been emphasized by many regional institutions. Particularly, the Tax Justice Network has championed the cause for effective taxation within the industry. An assessment conducted of fiscal aspects of extractive industry contracts revealed that aggressive tax planning, poor governance, unnecessary tax incentives, lack of government and CSO oversight, as well as lack of mineral beneficiation and manufacturing are issues undermining the quest for optimal resource mobilization from the extractive industry. Hence, it has been advocated that African states invest in the strengthening of governance, creation of proper legislation and contracting principles reflecting best practice, focusing on valuation, monitoring of implementation, and enhancing the framework for accountability on the part of government (TJNA, 2024).

Other advocates include Natural Resources Justice Network (NRJN) who conducted a study on Liberia and emphasized the needs to enhance transparency, accountability and inclusivity. By doing this, this body recommends preserving foreign earnings, reducing double taxation, addressing royalties and tax holidays, updating the tax system, and putting mining businesses on stock exchanges. From a broader perspective, the NRJN have emphasized the need for transparent mineral administration systems, community rights, environmental management, more stringent legal environment, as well as cultivating a climate resilient tax culture (NRJN, n.d).

The Africa Mining Vision is the principal regional policy document that seeks to harness natural resource endowments in Africa. The governance framework of Liberia extractive industry is taking steps to ensure the configuration of its policies and programs with regional policies like the Africa Mining Vision, ECOWAS Mineral Development Policy, Mano River Union (MRU) Frameworks, the African Agenda 2063, Natural Resources Justice

[3] *2024 figures are projections
Figures discounted for 000,000

Network, and Joint Needs Assessment, etc. Amongst other things, it seeks to enhance effective governance of the Mining Sector in an environmental, social and climate smart manner. Pillar 3 of the AMV emphasizes the importance of maximizing domestic revenues from the extractive industry, while improving policies to prevent illicit financial flows, increase investment, transparency and establishing to adequate policies to efficiently use accrued resources.

It builds on existing studies to advance the principal issue that mineral resources could be used to drive Africa to modernization. Hence, it emphasizes the importance of effective governance of resource rents to drive physical, social and human infrastructural development. In addition, it mandates African states to direct high-rent resource infrastructure to open other resource potentials in areas of agriculture, forestry and tourism. In terms of domestic resource mobilization, it emphasizes the need to prioritize downstream and upstream value addition through the establishment of resource-processing industries (beneficiation). Also, it encourages states to mandate actors within the sector to employ technology/product development that are climate smart (adaptation to local climate, mineralogy, terrain), through investment in research and development. Investment in human capital is also strongly emphasized in this regional policy document (AU, 2009).

2.4 Discretionary Fiscal Incentive in Extractive Sector

Fiscal Incentives pertaining to the extractive industry are best described or identified according to the legal or policy instruments through which they are effectuated or granted. Accordingly, they include incentives granted through concession agreements, investment incentive contracts, executive orders issued by the President, specific provisions of the Liberia Revenue Code and/or international conventions. However, those impacting the extractive industry are the ones granted under Section 16 of the Liberia Revenue Code and Concession Agreements.

2.4.1 Investment Incentive Contracts

The legal basis for the granting of fiscal incentive under this category is Section 16 of the Liberia Revenue Code. Under Section 16, extractive actors seeking to operate in Liberia who meet the required capital investment threshold of US$500k to US$9.99 million can apply to the National Investment Commission for tax incentives for the sole purpose of reducing their overall fiscal cost. Tax incentives under this category were first introduced during the 2011 amendments of the Liberia Revenue Code and they initially cover exemption from the payment import duty and GST on imported capital equipment and other critical inputs; and additional incentive deductions in deriving taxable income. The latter were predicated on the price of capital equipment deployed during the financial year, location of business outside Montserrado County and number of jobs created.

Section 16 has since been amended twice – in 2016 and recently in 2022. The 2016 amendment removed the additional incentive deductions thereby limiting the incentive to exemption from import duty and GST payment on imported goods. The 2022 amendment reduced the duration of the incentives from five to three years and redefined the qualifying sectors. Despite providing the basis and overall design of the incentives under this category in the Liberia Revenue Code, their ultimate forms and magnitude are determined by the Minister of Finance and Development Planning. For instance, the types and number of items to be exempt from import duty and GST payment are approved by the Minister of Finance and Development Planning.

2.4.2 Concession Agreements

Incentives granted under concession applied to investment outlay above US$10 million and often contain concession period extending beyond 15 years. Within these agreements, beneficiaries are granted incentives in the form of exemptions, reduce rates, extended tax holidays, favourable loss carry forward rules, reduced fees, etc. Incentives in this category are largely individually negotiated between the Government of Liberia and investors and approved by the National Legislature. This poses a challenge to effective governance, thereby making it difficult to measure their impacts on revenue loss. Their legal basis can be traced to the Public Procurement and Concession Act of 2009. Wejue

Incentives under this category have a two-tier approval process. First, they are negotiated and approved by the Executive through Inter Ministerial Concession Committee, which includes the National Investment Commission, Ministry of Finance and Development Planning, Ministry of Justice, Ministry of Labor, as well as two other members appointed by the President who are mostly sector lead relative to the investment. Under the PPCA, the Inter Ministerial Concession Committee is authorized to negotiate the terms of the concession contracts with investors and recommend same (through the office of the President) to the National Legislature for final approval. The tax types cover under concession agreements are unlimited and may include all taxes and fees established in the Liberia Revenue Code. However, the overall design of the fiscal terms of a concession agreement depends on the negotiation between the investor and the Inter Ministerial Concession Committee or Legislature. Currently in Liberia, there are about 19 active concessions in the extractive industry.

Table 4: Active Concessionaires as at 2024

#	Beneficiaries of incentives	Sectors	Incentive Issue date	Incentive duration
1	Salala Rubber Corporation	Agriculture (Rubber Cultivation)	1959	70yrs
2	Liberia Agriculture Corporation	Agriculture (Rubber Cultivation)	1957	72yrs
3	Firestone Rubber Plantation	Agriculture (Rubber Cultivation)	1926/2005/2008	36yrs
4	Cavalla Rubber Plantation	Agriculture (Rubber Cultivation)	2011	50yrs
5	Equatorial Palm Oil (Liberia Forest Products Incorporated)	Agriculture (Palm Cultivation)	2008	43yrs
6	Sime Darby Gurthrie Plantation	Agriculture (Palm Cultivation)	2009	63yrs
7	Golden Veroleum/Southeast Plantations	Agriculture (Palm Cultivation)	2010	65yrs
8	Maryland Oil Palm Plantation/Decoris	Agriculture (Palm Cultivation)	2011	33yrs
9	SETHI FERRO FABRIL INC.	Industry (metal manufacturing)	2016	10yrs
10	Avesoro Resources Ltd (Bea Mountain)	Mining (Gold)	2001/2013	25yrs
11	Western Cluster Ltd	Mining (Iron ore)	2011	25yrs
12	Arcelor Mittal Liberia	Mining (Iron ore)	2005/2007/2013	25yrs
13	Nimba Rubber Incorporated	Agriculture (Rubber Cultivation)	2019	30yrs
14	Golden_SIFCA	Agriculture (Rubber Cultivation)	2019	28yrs
15	Mano Palm Oil Industries Limited	Agriculture (Palm Cultivation)	2021	50yrs
16	Humminbird Resources Ltd	Mining (Gold)	2019	25yrs
17	Bao Chico Resources Liberia Ltd	Mining (Iron Ore)	2022	25yrs

18	Jeety Rubber Inc.	Industry (rubber processing and plastic wares manufacturing)	2022	15yrs
19	Liberia National Produce Inc. (Formerly LIBINC)	Agriculture (Palm Cultivation)		

Source: Individual Concession Agreements

These active concessionaires benefit from investment incentives affecting all major revenue sources (corporate income tax, goods and services tax, withholding on interest, dividends, royalties, surface rents, etc.). A review of the Automated System for Customs Data revealed that the extractive industry, for the last five years, benefited from a waiver of taxes on importation in the amount of **US$129 million** (***Pls see table below***). This amount does not include incentives enjoyed under other tax lines, for instance, corporate income tax, withholdings, royalties, etc. Of the total duties waived to the extractive industry, the mining sector benefited around 81 percent, followed by the agriculture sector of 19 percent.

Table 5: Import Duties Waived to Extractive Industry

Description	2019	2020	2021	2022	2023	Total	% Contr
Mining	7,214,205	20,018,633	43,826,512	31,875,312	26,131,641	129,066,303	81%
Agriculture	7,418,782	5,133,293	6,449,450	8,594,914	2,951,835	30,548,273	19%
Forestry	87,034	126,473	165,938	107,047	43,566	530,058	0.3%
Total	14,720,021	25,278,399	50,441,900	40,577,272	29,127,043	160,144,634	100%

Source: ASYCUDA[4] Data 2024

2.5 Transparency Issues in Extractive Sector

Liberia is one of the 52 countries worldwide implementing the Extractive Industries Transparency Initiative Standards (EITI). Under this initiative, member countries are required to disclose information on contracts and licenses, production, revenue collection, revenue allocation and social and economic spending through the publication of annual EITI Reports (EITI, 2023). Liberia began implementing EITI standards in 2009. To date, 15 reports have been published in compliance with EITI Standards (LEITI, 2024).

An assessment conducted by EITI on Liberia acknowledged the country's progress achieved since it began implementing the EITI standards. Notably, the government's efforts in re-establishing functional independence of the Multi-Stakeholder Working Group since the crisis in EITI governance between 2017 and 2019 has been outstanding. This body is extremely crucial to EITI implementation and constitutes representatives from the government, companies and civil society organizations solely for the purpose of overseeing EITI implementation. In addition, Liberia's transition to flexible EITI reporting has extended the scope of disclosure of revenues from 20 companies to over 400 companies within the industry. Also, the contents in the reports have prioritized issues of public interest, including terms of extractive contracts, licensing practices and companies' social expenditures (EITI International Secretariat, 2022).

[4] Automated System for Customs Data

Areas of improvement on the part of the government include contract disclosure and beneficial ownership. Particularly, the establishment of legal and regulatory framework to ensure full disclosure of beneficial ownership is still lacking within the Liberian governance structure. Companies on the other hand have been lacking behind when it comes to full disclosure of social expenditure in host communities. Based on the aforementioned, Liberia made the overall assessment score of moderate (75/100) during the country's latest evaluation in 2022 (EITI International Secretariat, 2022).

2.6 Key Climate Financing Issues in the Country

***Above:** The Zeleka Women are harvesting rice on their 38 hectares of land, which will soon be taken over by KONGO mining in Bomi County*

Liberia Country and Climate Development Report (2020) revealed that climate change could shrink the Liberian economy by 15 percent and push 1.3 million people into poverty by 2050, while highlighting that the impact of implementing just few adaptation interventions could boost agriculture productivity and enhance climate resilience of almost 800,000 people. Hence, the need for climate actions to respond to essential infrastructure needs, human development promotion, sustainable land management, and climate risk and readiness has been identified as a high priority. In adequate access to finance remains a key barrier to meeting Liberia's climate and development goals (World Bank, 2024). MINING CASE STUDY ANALYSIS AND REPORT | ActionAid Liberia

In 2021 NDC Financing Strategy, Liberia estimated US$490 million to achieve its climate and green growth ambitions through 2025. Most investment to date in response to climate change have been driven by donor partners. For example, UNDP is currently partnering with the Government of Liberia to drive inclusive growth, sustainable environmental governance, climate-resilient development. This partnership also seeks to support the country in developing a carbon readiness roadmap. This roadmap would help Liberia achieve the reduction in emissions from forest loss, implementation of sustainable forest management, as well as enabling access to results-based carbon finance which is key to expanding Liberia's fiscal space and accelerating inclusive and sustainable development (UNDP, 2024).

This would help Liberia achieve the objectives of reducing emissions from forest loss, implementing sustainable forest management, and enabling access to results-based carbon finance to expand Liberia's fiscal space and accelerate inclusive and sustainable development.

Currently, UNDP in partnership with other UN Agencies, the EU, the Government of Sweden, the United Kingdom and the United States Agency for International Development (USAID), amongst others, is directly supporting Liberia's national goals and global climate commitments. To this end, sector-wide adaptation initiatives have been advanced in coastal areas, agriculture, forestry, fisheries, health, and public institution to strengthen governance capacity. UNDP has also secured a funding of US$30 million in the last 5 years, for the Monrovia Metropolitan Coastal Resilient Project and the Sinoe Coastal Project. Hence, the financing gap now is US$460 million (UNDP, 2024). While the third round of NDC (3.0) is due in 2025, there has been an update in activities reflecting a Funding Committed to NDC implementation of US$555.44 million, to which only US$195.85 million has been disbursed. Hence, the most current financing gap is US$359.55, reflecting efforts from donor partners and Government (EPA, 2024).

It is also important to note that all initiatives in response to climate change financing have seen zero private sector support.

Liberia, as a country, signed the Paris Agreement on April 22, 2016. The Paris Agreement binds all parties to combat climate change and adapt to its effects. At COP29, the Liberian government sought to leverage its 6.6 million hectares of forest, which constitutes 153.45 tons/hectare of carbon as one of the few bastions of hope.

3.1 Conclusion & Recommendation

In conclusion, it is important to note that Liberia sustainability continues to be threaten by climate change and its impacts. As such, the country needs to enhance its domestic resource mobilization efforts, particularly harnessing the opportunity that the extractive industry presents. In this regard, the following needs to be prioritized:

a. **Undertaking socioeconomic impact evaluation of the current Incentive regime:** a key step in reforming the incentive regime will be to evaluate the impact of same on investment. By doing so, the revenue foregone vis-a-vis impact of each incentive can be analyzed to informed policy decision and ascertain degree of relevance or redundancy;
b. **Strengthening Institutional Governance:** a key step in this regard will be to revise the procedure for granting fiscal incentives under Section 16 of the Liberia Revenue Code to reduce the discretionary fiscal powers attributed to the Minister of Finance and Development Planning as final approving authority for investment incentive contracts. Another key issue in this regard is investing in technology to enhance data credibility for decision making;
c. **Investing in Infrastructure:** investment in critical infrastructure (roads, energy, human capital, etc.) needed to enhance beneficiation through value addition is key to harnessing the potential within Liberia's extractive industry;
d. **Investing in Technology:** to this end, it is important for Liberia to create an avenue for actors within the extractive industry to invest in climate smart technology that reduces overall emission and other climate change impacts;

e. **Strengthening Transparency:** a key step in this regard is to ensure that private sectors provide full disclosures of beneficial ownership. This will aid Liberia in her fight against illicit financial flows;

f. **Utilizing Periodic Review Provision of Liberia Mineral Laws to Renegotiate Fiscal Terms:** As enshrined in Section 6.6 (c) of the Liberia Mining and Mineral Laws, a periodic review should be carried out every 5 years of Mineral Development Agreement Implementation. This period provides an excellent opportunity for the Government to secure funding for climate change adaptation;

g. **Periodic Evaluation of Mineral Development Agreements Compliance:** A study needs to be launched evaluating all Compliance reports carried out by the National Bureau of Concession to assess concessionaires' degree of compliance with recommendations therefrom;

h. **Climate Change Social Expenditure:** Going forward, new Mineral Development Agreements should mandate incentive holders in the extractive industry to include mandatory social spending directed toward climate change. This could be a lumpsum payment or an ad valorem tax imposed. Same should be governed through an escrow account and managed by the Environmental Protection Agency through the budgetary process adopting the same model used for National Road Fund Levies[5]; and

i. **Increased Civil Society Organization Involvement:** that mineral concession negotiations involved CSOs participation to ensure that the rights of affected communities and issues affecting climate change are considered.

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[5] *A road maintenance and construction earmarked levy of US$25c per gallon of fuel imposed through an act of Legislation in 2016 and amended to US$30c per in 2018 that is governed by the National Road Fund through an escrow account with the Central Bank of Liberia.*

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