

RESEARCH STUDY OF THE EXTRACTIVE SECTOR IN LIBERIA

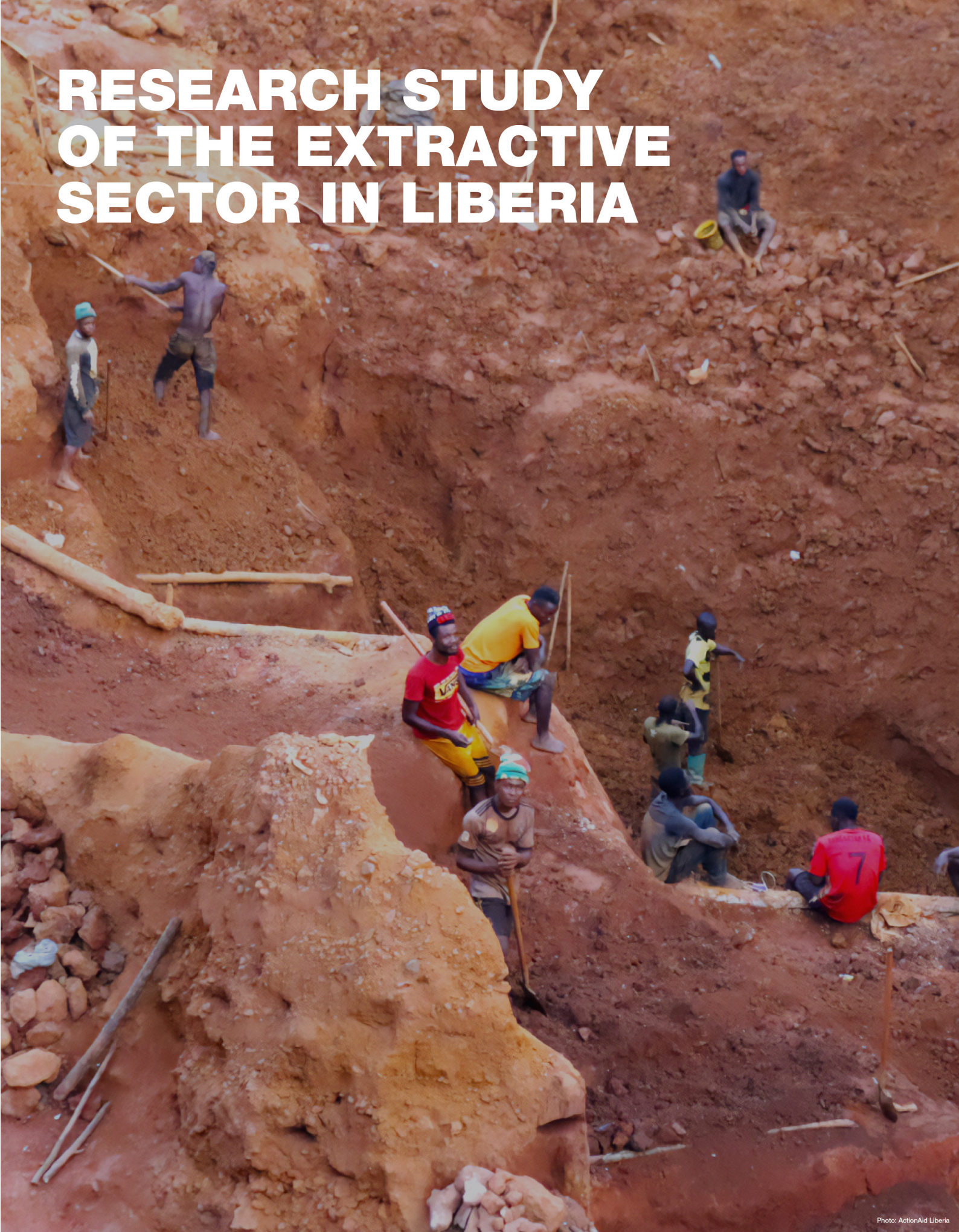


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**EXTRACTIVE SECTOR
RESEARCH SERIES 2025**

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The Extractive Sector Research Series spans across Liberia, Nigeria, Zimbabwe, Zambia and Kenya uncovering how natural resource extraction is an opportunity for a feminist and just transition.

The series is part of ActionAid Denmark's Global Program on Climate Justice, and will be recurring, deepening the evidence and momentum for lasting change.

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LIST OF FIGURES & TABLES

FIGURE 1: Extractive industry contribution to domestic resource envelop.

TABLE 1: Fiscal policies governing the extractive industry as prescribed by the Liberia revenue code.

TABLE 2: Revenue collection history (2019 – 2023).

TABLE 3: Liberia GDP (202 – 2024).

TABLE 4: Benchmarking Liberia's localization efforts with Africa Mining Vision.

TABLE 5: Active concessionaires in 2024.

TABLE 6: Import duty exemptions granted to extractive industries.

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
TJNA	Tax Justice Network Africa
NRJN	Natural Resource Justice Network
AAL	ActionAid Liberia

CONTENT

EXECUTIVE SUMMARY	4
1. INTRODUCTION.....	5
2. NATIONAL FISCAL POLICY AND FRAMEWORK GOVERNING EXTRACTIVE ACTIVITIES IN LIBERIA.....	6
3. NATIONAL CLIMATE POLICY AND ITS IMPACT ON THE EXTRACTIVE SECTOR IN LIBERIA	9
4. REGIONAL POLICIES AND FRAMEWORKS IMPACTING EXTRACTIVE ACTIVITIES IN LIBERIA	12
5. DISCRETIONARY FISCAL INCENTIVES IN THE EXTRACTIVE SECTOR.....	15
5.1 INVESTMENT INCENTIVE CONTRACTS	15
5.2 CONCESSION AGREEMENTS	15
6. TRANSPARENCY ISSUES IN THE EXTRACTIVE SECTOR.....	18
7. KEY CLIMATE FINANCING ISSUES IN LIBERIA.....	19
8. CONCLUSION & RECOMMENDATION	21
9. REFERENCES.....	23



EXECUTIVE SUMMARY

Liberia is a resource-rich nation, heavily dependent on the extractive industry, which includes mining, agriculture and forestry. This sector accounts for more than 50% of the country's GDP. However, the extractive industry contributes, on average, only about 16% to the country's domestic resource envelop. Much of this can be attributed to the favourable fiscal incentives granted to the sector through the Liberian Revenue Code (as amended), concession agreements and other fiscal instruments.

In addition, the country faces significant constraints, with domestic resource mobilization remaining the only sustainable driver for economic growth and development. One major challenge currently facing Liberia is the impact of climate change, which continues to threaten the country's sustainability. Like many other nations, Liberia is facing increased flooding, unpredictable weather patterns, increased demand for forest resources, water scarcity, rising vector-borne diseases, biodiversity loss, rising temperatures and sea levels, powerful coastal storms, heavier rainfall, erosion, sedimentation, and more – factors that continue to threaten sustainable livelihoods. Therefore, the need for investment in climate adaptation cannot be overemphasized.

As part of the 2021 Nationally Determined Contributions (NDC) Financing Strategy, Liberia estimated it would need USD 490 million to achieve its climate and green growth ambitions by 2025. Up until 2024, only USD 30 million has been secured through a partnership between the United Nations Development Programme (UNDP) and the Government of Liberia, without private sector support. An additional USD 460 million needs to be mobilized if the country is to achieve its target. While the third round of NDCs (3.0) is due in 2025, there has been an update in activities reflecting the funding committed to NDC implementation of USD 555.44 million, of which USD 195.85 million has been disbursed so far. The current financing gap is of USD 359.55, reflecting efforts from donor partners and the government (EPA, 2024).

To address these financing constraints, the country must prioritize climate-responsive fiscal regimes that enhance domestic revenues – particularly by harnessing opportunities within the extractive industry. This begins with tackling issues such as aggressive tax planning, poor governance, excessive tax incentives, limited oversight by government and civil society, and the absence of mineral beneficiation and manufacturing. To do this, governance must be improved, 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 government accountability.

1. INTRODUCTION

Like many other nations, Liberia is facing the effects of climate change. 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, as well as sand mining, pollution, and deforestation. This situation impacts Liberia's ecology by placing strain on mangroves, wetlands, forest reserves and coastal ecosystems – critical natural buffers that serve as environmental shields and stabilizers.

This has resulted in decreased agricultural production; the loss of jobs and livelihood; increased health complications and costs; income and economic inequality, particularly in low-income communities; increased climate-related disasters; water scarcity; infrastructure damage; conflict and food insecurity. The need to enhance Liberia's domestic revenue efforts cannot be overstated – especially with a focus on the extractive industry, which accounts for more than 50% of the country's GDP.

Liberia's extractive industry has significantly influenced its socioeconomic development and serves as a crucial engine for the nation's economy through job creation and revenue generation. However, the sector's activities also play a pivotal role in exacerbating the effects of climate change. This calls for urgent attention from policymakers and advocates to prioritize environmental sustainability and social equity. It is essential to address the negative environmental consequences of extractive operations and to hold industry actors accountable as major contributors to climate change.

This paper assesses Liberia's fiscal policies in the extractive industry to determine the extent to which they align with the Africa Mining Vision (AMV) and other regional best practices that emphasize 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 – including GDP, tax and customs data – were analysed to evaluate the industry's revenue contributions. It also assessed the climate financing gap to draw the attention of stakeholders to the challenges faced in implementing the country's NDCs.



2. NATIONAL FISCAL POLICY AND 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 the Concession Agreements. Chapter 6 of the Mineral and Mining Act of Liberia classifies mining actors into:

Class A: Large-scale mining and exploration companies¹

Class B: Medium size domestic enterprises

Class C: Artisanal/small-scale miners (ASM)

Small and medium enterprises that qualify for Class B or Class C licenses can obtain these licenses by paying a fee of USD 10,000 and USD 150 as prescribed by the Ministry of Mines Regulations (LEITI, 2023). For a Class A license, a Mineral Development Agreement (MDA) is required. These agreements are ratified by the Legislature, making them legally binding on the state. MDAs outline key provisions for beneficiaries, including the concession area, development programme, capital expenditure, licensing terms, transferred assets, employment obligations, social expenditure, applicable taxes, fiscal incentives and production targets. Additionally, large-scale agriculture projects exceeding USD 10 million are also subject to the concession regime.

The fiscal regime that governs the extractive industry is prescribed in the Liberia Revenue Code (as amended). Section 16 of the Liberia Revenue Code outlines the basis for granting incentives to investments in qualifying sectors, with the extractive industry forming an integral part. Capital investments ranging between USD 500,000 and USD 9.9 million may qualify for investment incentives under this provision. In the absence of investment incentives, the extractive sector is regulated by the standard provisions of the Liberia Revenue Code. This includes:

- A Corporate Income Tax for Mining Activities of 30% (Section 702 (a)),
- A 15% tax for rice production (Section 602),
- A 25% tax rate for all other business activities (Section 200 (c)).

Employees within the extractive sector are also required to pay Personal Income Tax, as outlined in Section 200 of the Code. Companies must also pay import duties based on the Harmonized System (HS) code and other applicable fees; fiscal provisions set out in the revenue code can be found in Table 1.

The Government of Liberia has taken steps to curb tax-motivated illicit financial flows by adopting the Liberia Income Tax Transfer Pricing Regulation, which aligns with the arm's length principle in Article 9² of the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention on Income and Capital, and the United Nations Model Convention. Section 208 of the Liberia Revenue Code defines what qualifies as a related person. Liberia uses mechanisms such as rulings, enhanced engagement programmes, Advance Pricing Agreements (APA), including unilateral, bilateral and multilateral APAs, as well as Mutual Agreement Procedures among others (OECD, 2024).

¹ Liberia Minerals and Mining Law, 2000

² This article covers profit adjustments for tax purposes when related companies (like parent and subsidiary companies, or those under common control) make transactions that don't follow the **arm's length principle**—meaning, the terms are not what independent companies would normally agree to.

Table 1: Fiscal policies governing the extractive industry as prescribed by the Liberia revenue code

Fiscal policies governing the extractive industry as prescribed by the Liberia revenue code				
1.	200b, 201, 602, 702	Corporate Income Tax (Legal)	15% - 30%	If Annual Gross Income is > USD 16,635 L\$3,000,000 15% rice production 30% mining 25% other categories
2.	806b, 905b	Withholding interest, dividends, royalties, license fees and similar payments (non-resident/resident).	15%	The payee may elect to file
3.	806d, 905d	Withholding on rent payments (non-Resident/Resident).	Non Resident – 15% Resident – 10%	For resident, the amount is taxable only if the total amount of rent payment made during a 12-month period is expected to be USD 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 residents, the amount is taxable if the 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 and 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: USD 2 per acre; Undeveloped land: USD 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 shipment, in the amount equal to the stated percentage of the value of commercially shipped minerals.
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.	USD 0.20	
12.	704b-1B (i) & (ii)	Rent for land within a mining license area.	USD 5.00/acre for years 1-10 and USD 10/acre for Years 11-25.	
13.	741	Income tax for petroleum products	30%	The rate of tax on taxable income from a petroleum project shall be 30%.
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% on gross production before the deduction of any costs.
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 and 1002).
16.	1021	Service tax imposed	10%	A tax (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, used for any purpose other than farmland—shall be subject to a tax of USD 5.00 per acre or fraction thereof, with a minimum tax of USD200 imposed on each parcel in accordance with Section 2000b-2B
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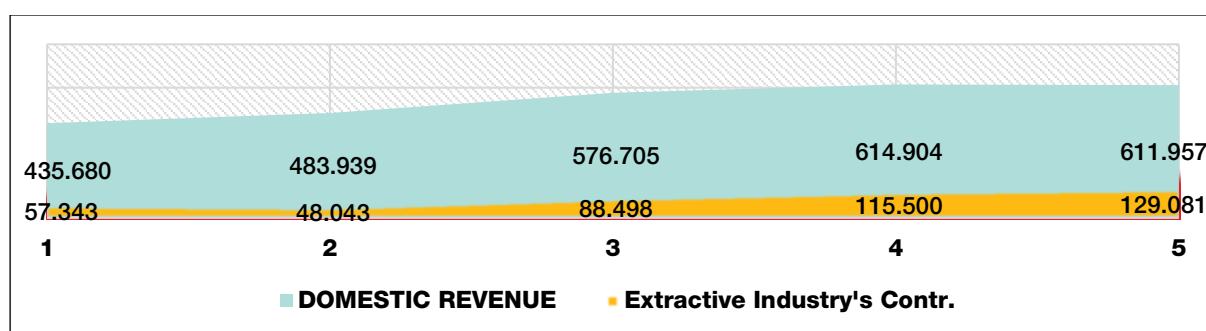
The above table shows tax provisions that ought to be applicable to the extractive sector in Liberia. However, the enforcement of provisions is undermined by Section 16 which sets out the basis for tax incentives as discussed previously. Therefore, although Liberia is a resource-rich country heavily dependent on the extractive industry, the sector continues to generate relatively low tax revenue due to the aforementioned reasons. In fact, the industry accounts for approximately 56.61% of Liberia's GDP as highlighted in Table 2 (CBL, 2022). However, over the past five years the sector has contributed an average of only 16%. A review of the Liberia Tax Administration System (LTAS)³, managed by the Liberia Revenue Authority, highlights this trend, as illustrated in Figure 1. This disproportionate contribution is largely due to the favourable tax regime, including discretionary fiscal incentives granted to actors within the sector under Section 16 under the Liberia Revenue Code and Concession Agreements. These issues are further discussed in Section 2.4 of this study.

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%

Source: Liberia Revenue Authority official statistics

Figure 1: Extractive industry contribution to domestic resource envelope⁴



Source: Liberia Tax Administration System

³ The Liberia Revenue Authority's system used for tax data

⁴ Year 1 to 5 represents 2019 to 2023

3. NATIONAL CLIMATE POLICY AND ITS IMPACT ON THE EXTRACTIVE SECTOR IN LIBERIA

The Environmental Protection Agency (EPA), as the lead agency on climate change adaptation, developed the National Climate Change Adaptation Plan in 2020 in collaboration with the UNDP. This document provides the overarching framework for guiding the development, coordination and implementation of Liberia's national adaptation process. It was developed with the cognizance of the physical climate changes that Liberia is currently experiencing in its climate, largely driven by global warming. At present, Liberia is facing rising temperatures, and increased annual rainfall, leading to more frequent floods, the loss of biodiversity, and other environmental challenges. These climate impacts have led to epidemics, floods, tropical storms, tidal abnormalities, coastal erosion and droughts.

While past national policies, such as 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 this sector. Given the potential risks the extractive industry value chain poses to climate change, the Climate Change Adaptation Plan recommends that stakeholders within the sector begin integrating climate risk and the potential impacts of climate change in their operations and assessing the potential impacts on long-term viability (EPA & UNDP, 2020).

To mitigate the impact of the extractive industry on the environment, the Government of Liberia have developed the Environmental, Social Impact Assessment (ESIA) procedural guidelines. The guidelines were developed with the principal objective of ensuring the effective environmental governance by the actors within the extractive industry. Before an extractive project is implemented, an assessment is carried out to identify, predict and evaluate the potential environmental and social-economic effect – this is a prerequisite for the issuance of environmental permits. The findings of the ESIA inform the decision to proceed with a project, modify it, or – in extreme cases – abandon it entirely. The ESIA process involves several stages: application, submission of a project brief, screening, notice of intent, scoping, impact analysis, evaluation of significance, mitigation and impact management, preparation of the environmental impact statement or report, review, issuance and follow-up. Periodic environmental audits are also carried out to ensure compliance, sometimes resulting in fines where violations are identified – though enforcement is largely at the discretion of the EPA (EPA, 2017).

As part of Liberia NDCs, EPA developed a National Policy and Response Strategy on Climate Change in 2017. The operationalization of this policy relies on five pillars – the Liberia Climate Change Trust Fund⁵ being one of the key driving forces. 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 aims to achieve “a climate-resilient low carbon nation that responds to climate change while equally addressing its national development priorities in a sustainable and equitable way”⁶.

This policy is built on the principles of climate change adaptation, which includes:

⁵ The proposed Liberia Climate Change Trust Fund is to be established for the purpose of collecting, blending and managing the incoming revenue streams – both international and national – that are related to climate change into one, centralized fund.

⁶ National Policy and Response Strategy on Climate Change in 2017.

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 local.
3. Adaptation policy and measures assessed in a development context.
4. The adaptation strategy is as important as the stakeholder process by which it is implemented (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 opportunities for alternative livelihoods. 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 the consolidation of protected area networks.



Kongo Mining Company destroyed Coco and Plantain farms to divert the Bandu River for Mining

In the agriculture sector, the policy aims to reduce the vulnerability of farming systems to climate-related risks by supporting farmers through a robust monitoring system capable of detecting early signs of climate change impacts on agricultural production. To achieve this, it highlights the need to improve pest, disease and weed management practices, as well as assessing crop vulnerability and suitability across different zones. The policy also calls for enhancing climate-resilient agro-infrastructure and strengthening the capacity enhancement of extension officers in climate-smart farming and livestock management technologies.

For the mining sector, the policy mandates 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 sector should establish new designs of engineering standards that are compatible with climate conditions, while implementing climate-resilient operational procedures. This includes the development of a structured design procedure for the relocation of assets from high-risk areas to safer zones, while retaining and restoring natural buffers in coastal and riverine environments as well as incorporating a biodiversity management programme.

For the mining sector the mitigation intervention aims to ensure that activities are carried out in an environmentally sustainable manner by gradually mixing the use of low-emission energy sources and

technologies. This includes the introduction of cleaner production practices and technologies using clean energy models, while promoting the 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 greenhouse gasses so that competitive carbon management policy is incorporated.

For the forestry and wildlife sector, the policy prescribes interventions to enhance Liberia's carbon sequestration potential. This includes promoting conservation, sustainable forest management and community forestry, as well as addressing key drivers of deforestation and forest degradation. Among other priorities, the policy emphasizes the need to establish a national carbon registry.

The intervention encourages the use of sustainable agricultural systems by recommending lowland farming through investment in smallholder agriculture, while ensuring large-scaled concessions on degraded land to avoid and reduce national emissions levels.

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

4. REGIONAL POLICIES AND FRAMEWORKS IMPACTING EXTRACTIVE ACTIVITIES IN LIBERIA

Liberia's extractive industry includes mining, agriculture and forestry. Activities in the mining sector are dominated by iron ore, gold and diamond. Other untapped minerals with investment potential include platinum, uranium and niobium, and base metals such as nickel, cobalt, tin, lead, manganese. Additional resources include sulphur, phosphates, clays (such as kyanite), granite, silica sand, heavy mineral sands (rutile and ilmenite), and diabase/dolerite – available both in small and large quantities (NIC, n.d). In the agriculture sector activity is primarily focused on cash crops such as rubber, oil palm and cocoa. Forestry activities are largely centred on timber. Meanwhile food production – rice and other staple crops – is mostly concentrated in the informal sector and are carried out on smaller a scale.

In terms of the extractive industry contribution to the macroeconomics of Liberia, the sector together accounts for more than 50% of the country GDP (See Table 3).

Table 3: Liberia GDP (2021 - 2024)⁷

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

Many African countries face extreme and pervasive poverty, despite great mineral wealth. To tackle this, the heads of state launched the African Mining Vision in 2009. This regional policy reflects the overarching goal for the transparent, equitable and optimal use of mineral resources to underpin broad-based sustainable growth and socio-economic development. Specifically, it provides a direction for African states to take ownership and decisive actions at all levels and coordinate the competing interests between public, private and community by setting a clear resource-based development and industrialization strategy.

The governance framework to drive AMV sets out six pillars, which provide the scope for ten strategic outcomes (AU, 2017). Below is a benchmarking analysis that highlights Liberia's localization efforts in line with the governance framework.

⁷ 2024 figures are projections. Figures discounted for 000,000

Table 4: Benchmarking Liberia's localization efforts with AMV

Pillar No.	Pillars	Outcome	Liberia Localization Efforts
6,1	Legal and institutional framework for contracts and licencing	Greater transparency in licensing and management of mineral rights	Chapter 5 and 6 of the Mineral and Mining Law of 2000 addresses the issuance of exploration and operational licenses in the Mineral Sector. However, many actors in the sector operate under the Concession Regime, which undermines revenue potential due to fiscal incentives.
6,2	Geological and mineral information systems	Comprehensive knowledge of geological and mineral endowment, leading to broad-based development	Liberia has established under the Ministry of Mines and Energy the Liberia Geological Survey and Liberia Hydrological Service bureaus with the mandate of address the need for systematic geological research and resource management (https://mme.gov.lr/page_info.php?e49c7921cb156014099756961908d03f94e3584c=NDYz)
6,3	Fiscal and revenue management	Optimized share of revenue accruing from mineral resource extraction.	The fiscal regime governing the mineral resource extraction is yet to reach its full potential due to fiscal incentives granted the industry.
		Improved transparency and accountability in the management of mineral revenue	3.2 (f) of the act establishing LEITI mandates the institution to disclose all contracts and concessions bearing relationships with the extractive industry. As at the time of the report, 90 percent of all contracts and concessions are available on LEITI website (https://www.leiti.org.lr/publications/document-type/concessions-contracts-and-agreements)
		Equitable and efficient use of resource revenue	Liberia is yet to established a expenditure framework for mineral proceeds. A trust fund is yet to be established as well.
6,4	Linkages, investment and diversification	A knowledge-driven minerals sector that is a key component of a diversified, vibrant and globally competitive industrialized African economy	Some levels of investment have been directed towards upgrading local Mining and Geology programs in Liberia. However, more is still needed.
		Broad-based development catalysed by a mineral sector that promotes upstream, downstream, side stream and infrastructure linkages.	Little has been achieved in this direction.
		Increased level of investment flows into value added minerals activities and multi-use infrastructure to support broad socioeconomic development.	Currently, there is a processing plant being constructed by ArcelorMittal Liberia that will add value to the direct ship ore currently exported. This amendment was entered to the MDA governing the concessionaire was signed in September 2021. See details on ArcelorMittal Expansion Project ⁸
6,5	Artisanal and small-scale mining	Improved entrepreneurship in an environmentally and socially responsible manner, leading to sustainable livelihoods, growth and development.	Little has been achieved in this direction.
6,6	Environmental and social issues	Improved and sustainable quality of life for mining-affected communities and the country.	In many concession agreements, social expenditures are enshrined to ensure positive impact of operations on fence line communities.

The multiple challenges undermining effective taxation in the extractive industry have been emphasized by many regional institutions. Particularly, the Tax Justice Network Africa has pushed 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

⁸ [ArcelorMittal signs landmark agreement with the Government of Liberia; signals commencement of one of the largest mining projects in West Africa | ArcelorMittal.](#)

government and civil society 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) whose study on Liberia has emphasized the needs to enhance transparency, accountability and inclusivity. They recommend 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 has emphasized the need for transparent mineral administration systems, community rights, environmental management, a 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's extractive industry is taking steps to ensure the configuration of its policies and programmes with regional policies like the AMV, ECOWAS Mineral Development Policy, Mano River Union frameworks, the African Agenda 2063, Natural Resources Justice Network, and Joint Needs Assessment, among others. It also seeks to enhance effective governance of the mining sector in a manner that is environmentally sustainable, socially responsible and climate smart. 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 adequate policies to efficiently use accrued resources.

The policy builds on existing studies to advance the core argument that mineral resources can serve as a catalyst for Africa's modernization. It emphasizes the importance of effectively governing resource rents to drive physical, social and human infrastructure development. In addition, it mandates African states to direct high-rent resource infrastructure to unlock 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). It also encourages states to require sector actors to employ climate-smart technologies and product development – tailored local climate conditions, mineralogy, and terrain – through investment in research and development. Investment in human capital is also strongly emphasized in this regional policy document (AU, 2009).

5. DISCRETIONARY FISCAL INCENTIVES IN THE EXTRACTIVE SECTOR

Fiscal incentives in the extractive industry are typically defined by the legal or policy instruments that establish them. These include concession agreements, investment contracts, presidential executive orders, specific provisions of the Liberia Revenue Code, or international conventions. However, the most relevant incentives for the extractive industry are the ones granted under Section 16 of the Liberia Revenue Code and through concession agreements.

5.1 INVESTMENT INCENTIVE CONTRACTS

Under Section 16 of the Liberia Revenue Code extractive sector actors seeking to operate in Liberia and meet the required capital investment threshold of USD 500,000-USD 9.99 million can apply to the National Investment Commission for tax incentives to reduce their overall fiscal costs. Tax incentives under this category were first introduced during the 2011 amendments of the Liberia Revenue Code. Initially, they included exemptions from import duties and GST on imported capital equipment and other essential inputs. Additional incentive deductions were also available when calculating taxable income. These were predicated based on the price of capital equipment deployed during the financial year, location of business outside Montserrado County and the number of jobs created.

Section 16 has been amended twice – first in 2016 and again in 2022. The 2016 amendment removed the additional incentive deductions, leaving only exemption from import duty and GST on imported goods. The 2022 amendment reduced the duration of the incentives from five to three years and redefined the eligible sectors. While the Liberia Revenue Code outlines the general framework for these incentives, their specific details and scope are determined by the Minister of Finance and Development Planning. For example, the Minister approves the types and number of items that qualify for import duty and GST exemptions.

5.2 CONCESSION AGREEMENTS

Incentives granted under concession agreements typically apply to investment outlays exceeding USD 10 million and often include concession periods of more than 15 years. Beneficiaries are granted incentives in the form of exemptions, reduced rates, extended tax holidays, favourable loss carry forward rules, reduced fees and more. Incentives in this category are largely individually negotiated between the Government of Liberia and investors and approved by the country's National Legislature. This approach presents challenges to effective governance, as it complicates efforts to assess the impact of these incentives on revenue loss. Their legal basis can be traced to the Public Procurement and Concession Act of 2009. A notable example highlighting transparency concerns is the case of the Town Chief of Zeleka, who publicly denied having ever received a copy of the relevant concession agreements⁹.

Incentives under this category follow a two-tier approval process. First, they are negotiated and approved by the Executive through the Inter-Ministerial Concession Committee (IMCC), 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 – typically sector leads relevant to the investment. Under the Public Procurement and Concessions Act (PPCA), the IMCC is authorized to

⁹ [Broken Promises in Zeleka.pdf](#)

negotiate concession terms with investors and recommend them, via the President's Office, to the National Legislature for final approval.

Concession agreements may cover a wide range of tax types, including any taxes and fees outlined 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 5: Active concessionaires in 2024¹⁰

#	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	Hummingbird 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

The active concessionaires in Liberia's extractive industry benefit from a wide range of investment incentives that impact all major revenue sources – including corporate income tax, GST, withholding taxes on interest, dividends, and royalties, as well as surface rents. Because of how these concessions are granted, it is difficult to accurately quantify the resulting tax losses. However, a review of the Automated System for Customs Data revealed that the extractive industry, for the last five years,

¹⁰ Kindly note that these concessions are subject to review every five years.

benefited from a waiver of taxes on imports totalling just over USD 160 million (Table 5). This amount does not include incentives enjoyed under other tax lines, for instance, corporate income tax, withholdings, royalties, etc. In effect, Liberia forfeited over USD 160 million (81% for the mining sector, representing USD 129 million, followed by 19% for the agriculture sector representing USD 30 million) in potential tax revenue from the extractive industry during the period. Had a standard 10% tariff – provided for under Section 27.10 of the Harmonized System code – been applied to these imports, this revenue would have been realized (Customs Tariff of the Republic of Liberia, 2012).

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: ASYCUDA¹¹ Data 2024

It is also important to note that the fiscal regime in Liberia has no provision to exploit excesses in the form of windfalls in the extractive industry. Section 702 of the Liberia Revenue Code only provides for a 30% tax on mining income – it is time that policy makers begin a process of reform to include it.

¹¹ Automated System for Customs Data.

6. TRANSPARENCY ISSUES IN THE EXTRACTIVE SECTOR

Liberia is one of 52 countries globally that implement 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 International Secretariat in 2022 on Liberia acknowledged the progress that's been made since it began implementing EITI standards. Notably, the government's efforts to re-establish 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 the implementation of EITI and consists of representatives from the government, companies and civil society organizations to oversee 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 the social expenditures of companies (EITI International Secretariat, 2022).

The government has made progress but still needs to improve in areas like contract disclosure and beneficial ownership. In response to these gaps, a Beneficial Ownership (BO) Steering Committee comprised of seven government institutions, was established in 2021 to strengthen the BO process in Liberia. This committee developed the legal and regulatory framework for BO disclosure, including a roadmap and reporting mechanisms. The process of disclosing BO pieces of information is currently ongoing at the Liberia Business Registry. As a result, Liberia received a moderate score of 75 out of 100 in its 2022 EITI evaluation (EITI International Secretariat, 2022).

7. KEY CLIMATE FINANCING ISSUES IN LIBERIA



The Zeleka women harvest rice on their 38 hectares of land, which will soon be taken over by KONGO mining in Bomi County.

The Liberia Country and Climate Development Report (2020) revealed that climate change could shrink Liberia's economy by 15% and push 1.3 million people into poverty by 2050. However, the report also highlighted that implementing climate adaptation interventions could boost agriculture productivity and strengthen the climate resilience of almost 800,000 people. As a result, climate action – particularly in areas such as essential infrastructure, human development, sustainable land management, and climate risk preparedness – has been identified as a high priority. However, inadequate access to finance remains a key barrier to meeting Liberia's climate and development goals (World Bank, 2024). A great example of this is the mining case carried out at the Zeleka Farm and Kongo mining company.¹²

Liberia signed the Paris Agreement on 22 April 2016, committing to global efforts to combat climate change and adapt to its effects. The Agreement binds all signatories to reduce emissions and strengthen resilience. At COP29, the Government of Liberia emphasized its 6.6 million hectares of forest—holding an estimated 153.45 tons of carbon per hectare—as a crucial global carbon sink and a key asset in the fight against climate change.

In the 2021 NDC Financing Strategy, Liberia estimated USD 490 million to achieve its climate and green growth ambitions through 2025. Most climate change related investments to date have been driven by donor partners. For example, UNDP is currently partnering with the Government of Liberia to drive inclusive growth, sustainable environmental governance and 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

¹² <https://liberia.actionaid.org/publications/2025/mining-case-study-analysis-and-report>

key to expanding Liberia's fiscal space and accelerating inclusive and sustainable development (UNDP, 2024).

This would help Liberia reduce emissions from forest loss, implement sustainable forest management and enable 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, among others, are 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 USD 30 million in funding over the last five years for the Monrovia Metropolitan Coastal Resilient Project and the Sinoe Coastal Project – the financing gap is now USD 460 million (UNDP, 2024). While the third round of NDCs is due in 2025, there has been an update in activities reflecting a funding committed to NDC implementation of USD 555.44 million, of which only USD 195.85 million has been disbursed so far. The current financing gap is USD 359.55 million, reflecting efforts from donor partners and government (EPA, 2024).

It is important to note, however, that Liberia has several options available to help finance this gap. One option is to allocate a portion of duty waivers to the Liberia Climate Change Trust Fund, which has been identified as a key mechanism to support the implementation of the NDCs. Additionally, Liberia could pilot a carbon pricing that seeks to apply a USD 5/tonne of CO₂e fee on iron ore exports, in line with the EPA's Climate Policy. A windfall tax, as previously proposed, is another measure worth considering. These options would help address the current lack of private sector support for climate finance initiatives and contribute significantly to closing the NDC financing gap.

8. CONCLUSION & RECOMMENDATION

In conclusion, it is important to note that Liberia's sustainability continues to be threatened 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 recommendations should be prioritized:

A. Conducting a socioeconomic impact evaluation of the current incentive regime:

A key step in reforming Liberia's incentive regime is to evaluate its socioeconomic impact, particularly on investment. This assessment should analyse the revenue foregone in relation to the effectiveness of each incentive, enabling evidence-based policy decisions. The study will help ascertain which incentives remain relevant and which are redundant. It will also help to determine which can be used to recover lost revenue and which can be directed towards climate financing through the Liberia Climate Change Trust Fund.

B. Overhauling the concession granting procedure:

A review of the concession policy and procedures is necessary to close loopholes that allow for discretionary incentives. A potential path forward is transitioning from a concession-based to a licensing-based regime, where incentives are fixed, time-bound and aligned with international best practices.

C. Strengthening institutional governance:

Reforming the fiscal incentive approval process under Section 16 of the Liberia Revenue Code is essential. This includes revising procedures to reduce the discretionary fiscal powers held by the Minister of Finance and Development Planning as final approving authority for investment incentive contracts. At most, these incentives should be capped at five years. Another key issue in this regard is investing in technology to improve data credibility for decision-making.

D. Investing in infrastructure:

Targeted investment in critical infrastructure – such as roads, energy and human capital – is essential to promote economic diversification and support local beneficiation efforts. These investments not only enhance the country's competitiveness but also reduce dependency on extractive exports by building sustainable value chains.

E. Investing in technology:

It is important for Liberia to create an avenue for actors within the extractive industry to invest in climate-smart technology that reduces overall emissions and other climate change impacts.

F. 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.

G. Using regular review periods in Liberia's mining and mineral laws to renegotiate fiscal terms:

According to Section 6.6(c) of the Liberia Mining and Mineral Laws, a review of the Mineral Development Agreement implementation must be conducted every five years. This period provides a valuable opportunity for the government to secure funding for climate change adaptation.

H. Regular evaluations of the Mineral Development Agreements Compliance:

A study should be launched to evaluate all compliance reports carried out by the National Bureau of Concession, to assess the extent to which concessionaires have implemented the recommendations.

I. Climate change social expenditure:

Future Mineral Development Agreements should require extractive industry investors to commit to mandatory social spending focused on climate change. This could take the form of a lump sum payment or an ad valorem tax. The funds should be placed in an escrow account and managed by the Environmental Protection Agency, following the same budgetary process and model used for the National Road Fund Levies.¹³

J. Stronger civil society involvement:

Civil society organizations should be actively involved in mineral concession negotiations to ensure that community rights and climate change concerns are addressed.

¹³ A road maintenance and construction earmarked levy of USD 25c per gallon of fuel imposed through an act of Legislation in 2016 and amended to USD 30c per gallon in 2018 that is governed by the National Road Fund through an escrow account with the Central Bank of Liberia.

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