



Photo: ActionAid Liberia

POLICY BRIEF: ENHANCING CLIMATE-RESPONSIVE FISCAL REGIMES IN LIBERIA'S EXTRACTIVE INDUSTRY

BACKGROUND

Liberia is a resource-rich country whose economy is heavily reliant on the extractive industry, including mining, agriculture, and forestry, accounting for over 50% of GDP. However, the sector contributes only to about 16% of the domestic revenue envelope due to excessive fiscal incentives and weak regulatory oversight, leading to revenue losses exceeding USD 160 million from import tax waivers alone, between 2018 and 2023. At the same time, Liberia is increasingly vulnerable to climate change. Communities dependent on natural resources especially women, youth, and rural populations are among the hardest hit. The country has committed to climate adaptation through its Nationally Determined Contributions (NDCs), but faces a substantial financing gap.

This policy brief advocates for a just transition in Liberia's extractive industry, aligning domestic resource mobilization with climate resilience goals. It underscores the need to reform fiscal incentives, strengthen institutional governance, increase climate finance, and promote transparency to bridge the NDC financing gap and ensure sustainable economic growth. It reviews national and regional frameworks, identifies key challenges, and proposes actionable recommendations to align fiscal regimes with the principles of climate and tax justice.

KEY RECOMMENDATIONS

1. Enhance Transparency and Accountability
2. Reform Fiscal Incentives and Governance
3. Promote Climate Resilience and Local Development

While Liberia must mobilize domestic resources to meet its climate and development goals, this effort must be understood as complementary to, and not a replacement, the climate finance obligations of wealthier nations. The Global North bears historical responsibility for climate change and must fulfill its commitments to support vulnerable countries such as Liberia. A just transition in Liberia's extractive sector should be supported by both domestic reforms and international climate justice.





THE GAP BETWEEN RESOURCE WEALTH AND FISCAL REVENUES

The extractive sector holds significant potential to bridge this gap if managed equitably and sustainably. In this context, the extractive sector must be reimagined not simply as a revenue stream, but as a platform for climate justice and economic transformation. A just transition approach recognizes the need to shift towards equitable, sustainable, and climate-resilient development ensuring that the transition away from extractive dependence benefits workers, communities, and the environment. This means reforming fiscal policies to capture fair returns from resource exploitation; investing in local value chains and climate-smart alternatives; enforcing environmental and social safeguards; and centering the voices of affected communities, particularly women and youth, in governance. Aligning national strategies with frameworks such as the Africa Mining Vision offers a pathway to a more just and inclusive extractive economy. As Liberia prepares its third NDC implementation, now is the moment to position just transition as a national priority linking climate ambition to rights, equity, and long-term resilience.

Indeed, Liberia's climate vulnerability is compounded by its dependence on natural resources, many of which are directly threatened by environmental degradation. Yet, despite these risks, climate finance remains grossly inadequate. The projected USD 490 million required to achieve its NDC 2.0 remains underfunded by more than USD 359 million. This dual crisis of lost revenue from extractives and an unmet climate finance gap places Liberia at a critical crossroad where systemic reform is no longer optional, but essential.

This gap in resources and actual fiscal returns reveals systemic policy and governance flaws. Investment incentives granted through Section 16 and individually negotiated concession agreements have not been subject to comprehensive cost-benefit analyses, leading to substantial revenue losses.

Furthermore, the discretionary nature of the incentive approval process limits transparency and fosters elite capture. The weak enforcement of Environmental and Social Impact Assessments (ESIAs) has allowed harmful extractive practices to proceed, including the destruction of farmland and water diversion by mining companies, resulting in the displacement of communities and the loss of livelihoods. Climate change has further exacerbated these vulnerabilities, with projections indicating a 15% loss in GDP by 2050 if current trends persist.

The extractive sector also lacks robust resilience frameworks to address the environmental impact of its operations, especially in forestry and mining. Without integrating climate risk mitigation into sector operations, Liberia's development trajectory remains exposed to external shocks. The absence of windfall taxes, carbon pricing, or mandatory climate contributions from extractive firms represents a lost opportunity to leverage the sector for finance towards climate action. Liberia's just transition depends on rebalancing fiscal justice with climate justice, where those who profit from resource extraction contribute fairly to the cost of national resilience and sustainability.



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

RECOMMENDATIONS AND SOLUTIONS

1. ENHANCE TRANSPARENCY AND ACCOUNTABILITY

- **Transition to Licensing-Based Models:** Replace concession-based systems with standardized licensing contracts that include clear obligations for environmental protection, social responsibility, and local content development.
- **Contract and Ownership Disclosure:** Mandate public disclosure of contract terms, payments, and beneficial ownership of extractive firms. Establish accessible databases for civil society and media to monitor revenues and ensure accountability.
- **Empower Civil Society:** Support capacity-building for civil society organizations, journalists, and social movements to engage in contract negotiation, monitoring, and enforcement.

2. REFORM FISCAL INCENTIVES AND GOVERNANCE

- **Comprehensive Incentive Review:** Assess all fiscal incentives and concessions for socio-economic and environmental impact. Consider capping benefits at five years.
- **Renegotiate Misaligned Contracts:** Review and revise contracts that conflict with national interests or climate goals.
- **Independent Oversight Units:** Establish data-driven governance bodies to reduce ministerial discretion and improve oversight.

3. PROMOTE CLIMATE RESILIENCE AND LOCAL DEVELOPMENT

- **Mandate Climate-Related Social Expenditures:** Require extractive firms to allocate profits to climate adaptation, environmental restoration, and community development through new MDA frameworks.
- **Invest in Climate-Resilient Infrastructure:** Encourage public-private partnerships for renewable energy, water conservation, and advanced processing technologies.
- **Allocate Duty Waivers to Climate Fund:** Redirect a portion of customs and duty exemptions to the Liberia Climate Change Trust Fund to support NDC objectives.
- **Implement Carbon Pricing and Windfall Taxes:** Pilot carbon pricing for high-emission operations and impose windfall taxes on mineral export profits, earmarking revenue for climate finance and sustainable development.

CONCLUSION

A just transition in Liberia's extractive sector is essential to mitigate and adapt to climate change, enhance domestic revenue, and promote social equity. Through evidence-based reforms, improved transparency, and sustainable investment practices, Liberia can align its development goals with ambitious climate action leading to resilient, fair and sustainable societies.

