



GOVERNANCE COMMISSION POLICY BRIEF



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Effective Management of Artisanal and Small - scale Mining to Enhance Economic Growth and Development in Liberia

Introduction

To date, the Artisanal and Small-scale Mining (ASM) sub-sector is one of the sources of revenue bases for the Government of Liberia (GOL). This sub-sector is essential and can help to rejuvenate the economy in creating investments, jobs and income for the sustenance of communities and individual livelihoods.

However, it is plagued with major impediments that continue to adversely affect its performance. Some of these include illicit mining, smuggling, proliferation of aliens, and the use of dangerous and harmful chemicals such as mercury. This is largely due to the almost absence of government regulatory system and personnel in mining localities, inadequate budgetary support to the Ministry of Mines and Energy (MME), Liberia Revenue Authority (LRA) and Environmental Protection Agency (EPA) to perform their statutory functions.

Whereas development efforts are at a snail pace in almost every sub-sector of the economy, there's need for a well-defined policy framework, particularly in this sector to garner domestic revenue and equitable distribution such that it helps to improve the country's socio-economic development.

It is against this backdrop, that the Governance Commission (GC), in collaboration with the Ministry of Mines and Energy (MME) and the Liberia Revenue Authority (LRA), held a High-Level Roundtable National Policy Dialogue to discuss pertinent issues in the ASM sector and how they affect revenue generation.



Cross section of participants at the Policy Dialogue

Summary of Presentations

The presenters laid out the issues and challenges that confront the sector and then provided cogent recommendations that can be utilized in resolving the challenges. A proper governance mechanism would be a panacea to mitigating the loopholes in the sector. Below are excerpts of presentations that flagged the cogent issues affecting the sector:

Managing Artisanal and Small-scale Mining (ASM) in Liberia for effective revenue generation

This was presented by Honorable Emmanuel O. Sherman, Deputy Minister for Mines at the MME. He outlined the following issues and challenges as impediments to the ASM sub-sector:

- Poor budgetary support;
- Lack of monitoring & evaluation (M&E) to determine the impact of project;
- Porous border areas that allow aliens into Liberia with improper identification documents;
- Increase in the influx of illegal miners which can be attributed to: lack of logistics, high number of volunteers, and limited trained field staffs;
- A need to map-up the mining areas along with their miners to help Liberia Revenue Authority collate its tax data; and, Pollution of water bodies that affect the health of Liberians—there's a need to set up a taskforce to monitor water pollution and ensure such doesn't happen.



The Deputy Minister also spoke of the need to deepen collaboration with the Liberia Revenue Authority (LRA) to decentralize tax collection. To strengthen this effort, the ministry has established regional offices (six regions) and that Gesellschaft für Internationale Zusammenarbeit (GIZ) has supported the establishment of two of those regional offices (Bong and Nimba) which housed the ministry's coordinators. Each regional office is headed by a Geologist.

Restructuring the Liberia ASM Sub-sector to be integrated into the Value Chain Taxation

Mr. B. Al Dennis, Supervisor for Mining & Petroleum at the LRA, presented on behalf of Commissioner Talery.

According to Mr. Dennis, the value chain comprises the: miners, brokers, dealers and non-resident buyers. There is no income tax burden to the miners, brokers and dealers in relation to the value of the mineral, except royalty on Freight On Board (FOB) value.

Mr. Dennis outlined the following challenges: where to tax; when to tax; how to tax; lack of monitoring; smuggling, (i.e, an estimated US\$900M value of gold and diamond to Dubai with a corresponding



Environmental Damage and related health impacts of Artisanal and Small-scale Mining (ASM) its Practical steps for effective revenue generation .

This presentation was done by Honorable Emmanuel T.T. Swen, Assistant Minister for Mines at the Ministry of Mines and Energy. He began by defining Artisanal and Small-scale Mining as a formal or informal operation with predominantly simplified forms of exploration, extraction, processing and transportation. He said it normally has a low capital and uses high labor. There are several environmental degradations caused by the small scale miners due to their limited understanding of the chemicals they use during the process. He furthered that Liberia is endangered by the harmful practice which include:



- Water pollution - The underwater excavation of sediments to extract gold or diamond and the diversion of streams to mine the stream beds cause pollution.
- Child labor
- Unsafe mining practices – The miners, usually due to lack of basic education, get involve with mining practices that poses serious threats to their lives.

Abandoned pits – in many cases, the miners abandon large pits which serve as death traps for community dwellers especially hunters.

- Gender issues: refers to the behaviors, beliefs, attitudes, and values about women, men, boys, and girls held by different social or cultural groups and the various gender roles and responsibilities that social or cultural groups believe are appropriate for them.
- Use of toxic chemicals especially mercury (hg). This chemical used in mining and mineral processing severely contaminates the land, water, and air, causing pollution and health problems. Others include

Discussions and Concerns

United State Agency for International Development (USAID): The Economist who represented the USAID admonished the Government to encourage investment in the ASM sub-sector because of its lucrative nature to enable it yield some good rate of returns. It could trigger a higher growth rate between 7-10% but is however faced with numerous challenges including limited technology. The government must tackle the under reporting of taxable revenue and collection at various ports of entry. Liberia could learn from Japan, China and other nations that have acquired a similar growth rate of 7% from the sector.

Liberia Accountability and Voice Initiative (LAVI) : Said the Social Development Fund (SDF) should be used wisely so as to encourage an increase in the revenue base of the government. There is a need for the EPA to have budgetary allocation to enable it enforce some environmental measures to curtail illicit activities in the sector. LAVI recommended the setting up of a mobile registration in the County Service Centers (CSC) to generate and track revenue.

Financial Intelligence Unit (FIU): For its part, the FIU expressed the need for the government to design measures to curtail the illicit mining which denies the government of generating legitimate revenue and at the same time rapidly depleting the environment, causing serious soil erosion amongst others. The FIU expressed interest in steps being undertaken by the Ministry of Mines and Energy, Liberia Extractive Industry Transparency Initiative, and Liberia Revenue Authority to criminalize illicit mining.

Platform for Dialogue and Peace (P4DP): The head of the P4PD noted the unwarranted misuse of the country's natural resources at the detriment of the country. He mentioned the lack of social services and governance related issues as been major contributing factors affecting the sub-sector.

Liberia Extractive Industry Transparency Initiative (LEITI): LEITI serves as the watchdog on transparency related issues that cut across sectors. A key challenge confronting most of the subsectors, including the ASM sub-sector, is the unavailability of data to work with. LEITI underscored that this natural resource sub-sector is so important to Liberia, and as such, there is great concern about its operations through a transparent process. LEITI hopes Liberia learns from countries (Nigeria & Congo) that have had unending conflicts due to mismanagement of minerals.

The Federation of Miners Association of Liberia (FOMAL) The Association underscored capacity as a major challenge affecting the Ministry. It pointed out that only the GIZ and USAID were building the capacity of the Ministry to undertake its work. The Association said it observed in Grand Cape Mount County that women were using the mercury to process the gold which the entity claimed is detrimental to their health and safety. The Association wants the government to include those entities working in the sub-sector in the national budget to enable the entities make positive impact in the lives of the people.

Mr. Christopher Wallace, the Moderator, expressed concern on the following issues: i) the possibility to develop a strategy that will restrict the misuse of licenses from one location to another; ii) whether mechanisms were in place to ensure that miners were compelled to develop or rehabilitate the communities in which they were operating.



Ministry of Mines and Energy: The ministry stated that it does not enforce regulation such as arrest but refers such issue to the appropriate government entity. He explained that the government had introduced the Class "C" mining license to discourage rural-urban migration, but it's being abused. He said that developing another licensing could probably be one way of solving this problem. Furthermore, a new website has been created to access licenses and other basic information. There is also an online web portal that has the categories of licenses that are issued in Liberia.



Cross section of collaborating partners at the Dialogue

Policy Recommendations

The participants recommended the following policy options:

- ⇒ There's a need to strengthen the existing regulatory framework governing the ASM sub-sector to address the issues of illicit mining and proliferation of aliens, etc.;
- ⇒ Digitize the ASM sub-sector so it serves as a reference point for the government and relevant stakeholders;
- ⇒ The MME, LRA, EPA and other relevant institutions involved in the ASM sub-sector need to amalgamate forces and closely collaborate;
- ⇒ The financial constraints hampering the operations of entities engaged in the sub-sector need to be reviewed and appropriate budgetary considerations made in the national budget to support these entities;
- ⇒ FOMAL and other entities should jointly collaborate with the MME to vet prospective miners and to monitor the ASM sub-sector to ensure transparency and accountability;



Members of the Federation of Miners Association of Liberia (FOMAL) at the Policy Dialogue

➔ *Policy Recommendations continues*

- ⇒ Efforts should be exerted to promote and strengthen the ASM through cooperatives, unions, federations and trade associations;
- ⇒ The government should endeavor as much as possible to harmonize Liberia's tax regime with that of neighboring countries to combat smuggling;
- ⇒ There should be the establishment of a Precious Mineral Marketing Corporation that will strengthen resource mobilization to purchase the mineral at a premium along the value chain, and sell on behalf of the government to the nonresident buyers;
- ⇒ The use of dangerous chemical such as mercury that is having an adverse effect on the soil and a spillover effect to the communities needs to be halted immediately
- ⇒ Establish an efficient database management system to collate and compile information on all miners, brokers and dealers;
- ⇒ Provision of needed resources (i.e., vehicles, etc.) to support activities of the MME, EPA, etc. to enable them properly manage the ASM Sub-sector;
- ⇒ Implement the ASM Sub-sector road map developed in 2016 by forming and monitoring cooperatives;
- ⇒ Young people should be given some basic livelihood skills training to discourage them from illegal mining activities



Partial view of representative of collaborating institutions from government and the private sector