

# Better Administering Liberia’s Mining Licensing System to Capture and Develop Natural Resources Market Forces for Inclusive Economic Growth and Jobs

## Context

In 2003, a negotiated peace ended 14 years of civil war in Liberia. The conflict had killed more than 10 percent of the prewar population and “destroyed or damaged almost all structures and institutions of the state, the economy, and everyday life” (Vinck, Pham, and Kreutzer 2011). Nearly one in two Liberians, including 45 percent of the country’s skilled workforce, had left the country (Friedman 2012), while an entire in-country generation had little access to education.

A goal of the elected postwar government was to rebuild the civil service. In 2011, President Johnson Sirleaf promoted an expatriate corporate lawyer, Patrick Sendolo, from head of the governance and economic management assistance program to minister of lands, mining, and energy. In 2012, Minister Sendolo began a partnership with the German Agency for International Cooperation (GIZ), the Norwegian Revenue Development Foundation (RDF), the Australian Agency for International Development (AusAID), and the World Bank Group to better manage mining contracts. Nearly 90 percent of the mining sector consisted of small-scale operations and 0.5 percent of large-scale operations (Wilson, Wang, Kabenge, and Qi 2017), and vested interests vied to retain lucrative concessions.

Between 2003 and 2015, the Liberian economy grew from US\$0.4 billion to US\$2 billion,<sup>1</sup> but multidimensional poverty and near-poverty persisted in 91.5 percent of the population (United Nations Development Program 2017), and corruption in the public sector was identified by 97 percent of surveyed Liberians as a problem or a serious problem.<sup>2</sup> This small, natural resource–rich country had transitioned to peace in the same manner as it had gone to war: with an opaque legal and regulatory system for mining that concentrated power in the executive branch and in large international investors—and failed to finance broad-based development.

## Development Challenge<sup>3</sup>

The challenge in postconflict Liberia is to better administer the country’s natural resources (mining licensing) system to produce jobs and inclusive economic growth.



### PROJECT DATA

**SECTOR:**

Energy and Extractives

**DEVELOPMENT CHALLENGES:**

Better administer natural resources to produce jobs and inclusive economic growth

**DELIVERY CHALLENGES:**

Stakeholder selection, organizational capacity, corruption and patronage

**COUNTRY:**

Liberia

**REGION:**

Sub-Saharan Africa

**PROJECT DURATION:**

2009–2020

**PROJECT TOTAL COST:**

€36,820,000

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For more information on this project, <https://www.jstor.org/stable/j.ctv941tdt>.

1. Data from World Bank Group, Data at a Glance—Liberia (<https://data.worldbank.org/country/liberia>).

2. Survey data from Freedom House’s 2014 Freedom in the World ranking (<https://freedomhouse.org/report/freedom-world/2014/liberia>).

3. This section and all subsequent sections draw on Karamira and Mattner (2017).

## Intervention

In a similar postconflict context and period, the RDF created a novel system to administer mining contracts and revenues and partnered with the GIZ Regional Resource Governance Program to help bring transparency to the natural resources sector. The RDF's Mining Cadastre Administration Program (MCAP) implements information technology (IT) systems, embeds long-term capacity development and advisory services, and develops public online repositories. The GIZ program combines individual training, institutional development, and policy advice at the macro level into a holistic and sustainable capacity-development strategy. In two years, these international partners cultivated demonstrable change to help finance development in Sierra Leone.

The Liberian minister of lands, mines, and energy (MLME) partnered with bilateral, multilateral, and nonprofit organizations to adopt Sierra Leone's best practices and to make Liberia's Mining Cadastre Administration System fit for the country's purpose.

## Delivery Challenges

This delivery note analyzes key implementation challenges and examines how they were overcome.

**Governance.** Over the 14 years of the Liberian civil war, the warring factions and interim governments had stacked the public administration with their respective loyalists and fighters. In the two years of interim government, the 21 ministries were divided among the three warring factions (each of which controlled five ministries) and political parties and civil society (which controlled the remaining six) (Nilsson 2009). When a democratically elected government came to power in 2006, its president appointed a skilled and trained cadre of ministers, but the ministries, line-ministries, and agencies were paper-based, bloated siloes that largely lacked an educated and skilled workforce that could administer a modern economy.

Of all the sectors of the Liberian economy, the mining sector had the greatest potential for financing development, but the Liberian government had the least capacity to manage this highly technical, globalized industry. The government lacked legislation and regulations to guide mining concessions and revenues, to facilitate a complex process of change, and to deter corruption and patronage. It also lacked a coherent system to govern minerals; the agencies involved held overlapping and competing mandates. In particular, the Ministry of Finance (which sets revenue policy), the Liberia Revenue Agency (which collects all mining company fees), and the MLME (which administers mining licensing) could not monitor contractual compliance or adjust policy because they did not exchange data or information. Also, the curtailed reach of the administration in remote areas meant that small-scale miners in those areas had to travel to the capital for licensing; few did, leaving the industry effectively unregulated.

**Organizational capacity.** Within a year of taking the helm of the MLME, Minister Sendolo and senior staff identified a mismatch between the public administration's needs and the first-generation (postwar) license management system's structure. Highly technical, commercial cadastral software had been implemented with minimal training in a low-skilled environment and without budget support from the financially strained government for user and licensing fees. The software was incompatible with MLME systems and licensing awards, which caused overlap, reversion to paper-based practices, and a *de facto* license registry in the tenement map of the Geographic Information System unit (which had its own software). In sum, the Liberian staff did not have the skills to use the system, and the system did not connect the mining units and agencies.

## Addressing Delivery Challenges

The following steps were taken to mitigate the delivery challenges related to **governance**:

- MLME formed short- and long-term partnerships to rapidly assess the mining sector, gain a working knowledge of best practices, and facilitate the complex process of change:
  - GIZ embedded the modernization of the mining license system into its overall partnership portfolio with the MLME, allowing quick wins and maneuverability for problem-driven iterative development.

- RFD provided embedded advisory services to compensate for lower skill sets and weaker capacity.
- AusAID delegated cooperation to GIZ and funded (a) the development of mining regulations in support of the ongoing update of the Mining Act, (b) a capacity-development strategy for MLME, and (c) a roadmap for regulating small-scale mining.
- MLME took ownership of the second-generation reform process:
  - It sought organizations with a proven record of reforming mining licensing systems in postconflict contexts.
  - It imposed a moratorium on new concessions after a rapid assessment unveiled broad license redundancies.
  - It participated in an extensive study tour of the MCAP approach in Sierra Leone.
  - It convened internal and external discussions to assess and then create buy-in for the MCAP approach.
  - It initiated the MCAP approach even though partners did not have immediate financing available.
- MLME invested in a skilled workforce and skill transfer:
  - It functioned independently during the Ebola virus outbreak and continued to apply good practices when RDF advisers left the country.

The following steps were taken to mitigate the delivery challenges related to **organizational capacity**:

- The MCAP approach created a single database for all license-holder information and a central tool for administering licenses:
  - A nimble, cost-effective IT platform manages the administrative steps of licensing and tracks revenue. The platform has no user license fees and provides free upgrades.
  - Long-term resident advisers support administrative staff in processing licenses and institutions to identify gaps. Together, they are working to link revenue-collecting (and, eventually, environmental) agencies in real time.
    - An online repository publishes license ownership and fee data for investors and civil society. However, the data are still incomplete, and not all administrative processes have been redesigned fully, underscoring the difficulty of the tasks at hand.
- An interagency task force on mining revenue developed data-sharing agreements between the MLME, the Liberia Revenue Agency, and the Ministry of Finance, facilitating a reconciliation of contractual agreements and payments and identifying possible policy adjustments.

## References

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