



MINUTE PAPER

**To: Hon Minister
Deputy Director
Director of Mines**
Thru: the Permanent Secretary

**Copy: Director General
Director of Geological Surveys**

**MANO RIVER UNION- MINING TAXATION WORKSHOP HELD IN MONROVIA,
LIBERIA FROM 12TH -14TH AUGUST 2008**

As you may recall, I was part of the Team that represented the Ministry at the above mentioned workshop in Liberia. The other members of the Team were, Mr. Grant Wilson Director General, Mr. M B Mansaray Director of Geological Surveys and Mr. Mohamed Salisu of the Ministry of Finance and Economic Development.

2. Member countries represented were Guinea (3 participants), Sierra Leone (4 participants) and the host country Liberia (11 participants). Also in attendance were the World Bank, UNDP and IMF-FAD officers (see attached).

3. In the opening session, the World Bank Operations Officer, Oil, Gas and Mining Policy Division (Ekaterina Korykin) explained the objectives of the workshop which include discussion of fiscal regime for mining (findings and recommendations), country updates since the Conakry Forum and preparation towards regional mining project. The Operations Officer further reminded members of the recommendations in the Roundtable Discussion in Conakry, Guinea on the 13th February 2008 which were categorized as below:

(A) Harmonisation

- (i) Fiscal/ regulatory framework and EITI ++
- (ii) Licensing/mining cadastre;
- (iii) Auditing/accounting procedures;
- (iv) Environmental and social and regulatory framework.

(B) Infrastructure and Economic linkages

- (i) Mineral Assessment in MRU/geodata collection;
- (ii) Economic driver's analysis;

- (iii) Integrate infrastructure planning; etc

(C) Mining Community

- (i) Frameworks and coordination of environmental, social and fiscal impacts (to be informed by WAMSSA);
- (ii) Community Development/review good practice/needs assessment
- (iii) Artisanal and small scale mining, etc

4. Guinea reported that they have completed the study on the development of Water Power Project that will link mining to development, and have produced two EITI reports. They also informed the meeting that they are strengthening the mining sector management, building mining contract negotiating capacity and designing a standard mining agreement. Furthermore, they reported that FIAS is currently updating mining code and addressing constraints to the development of value added activities in the mining chain.

5. Liberia reported that they are developing fiscal regime for mining through IMF-FAD. They informed the meeting that they are receiving from USAID technical assistance/capacity building in mining sector policy; model mineral Development Agreements, computerized mining cadastre system and mining regulations. Additionally, they reported that EITI has been combined with the forestry sector and that they are expecting to produce their first report by end of 2008. Furthermore, the meeting was informed that World Bank is assisting with harmonizing Public Procurement and Concessions Act and Mines Mineral Law. However, World Bank is yet to commence institutional reform and capacity building in the mining sector.

6. Sierra Leone reported that the Mining Agreement Review Task Force has been set up and are working assiduously to review some selected mining agreements. We informed the meeting that IMF-FAD has completed the review of fiscal regime for mining but the outcomes are yet to be implemented. We also reported that DFID is currently providing advisory services to the Ministry of Mineral resources, and that UNDP is assisting with capacity building for investment project negotiations. Furthermore, we reported that the country is implementing EITI, and the EC program (to be financed through SRL repayments) and MTAP are under preparations.

7. The Consultant Mr. Robert Conrad conducted a comparative review of MRU's Fiscal Regimes for Mining and presented same to members for comments and suggestions. This report was extensively discussed and it was observed that the MRU countries have disparities in their economic as well as fiscal regime structures. Several comments and suggestions were made on the presentation with contributions

from the World Bank Headquarter in Washington through a Video Conference. The meeting resolved that each country delegate provides the prevailing rates, and if possible propose rates for their respective fiscal regimes. See table below.

Country	Royalty	VAT/ GST	Tariff	Profit Tax	W/H Tax Div	W/H Tax Int	Equity Partici pation	Ex. Profi t/ Wind fall Tax	Depre ciation	Land Rental	
LIBERIA	4.5%	-	3.7%	35%	15%	6-8%	NIL	NIL	30-40%	-	
GUINEA	7%	2%	5.6%	27% + 2%	Non	8%	NIL	50%	30-40%	\$5-10 per sq metre	
SIERRA LEONE	Prec Min	4%	NIL	5%	30%	10%	10%	NIL	NIL	NA	NA
	Min	3%									
PROPOSED RATES											
SIERRA LEONE		Royalty	VAT/ GST	Tariff	Profit Tax	W/H Tax Div	W/H Tax Int	Equity Partici pation	Ex. Profit/ Windf all Tax	Depre ciation	Land Rental
	Prec & Indu Min	3-10% 5-8%	NIL	5%	37.5%	15%	15%	20%	25%	NA	NA

NA- Not Available at that time. NIL- Not currently in use

The meeting deliberated more on the treatment of minerals under VAT/GST. The workshop concluded that once VAT/GST is based on destination Principle, then export of minerals should be zero rated as the best practice with a well developed refund system; otherwise it should be exempted. This was extensively discussed through video conferencing with World Bank Headquarter in Washington.

8. The World Bank Operations Officer informed members that the review of fiscal regime for mining in the Mano River Union is at an advanced stage for completion, and also the review of Environmental and Social Law and regulation in the Mano River Union has been completed and is being finalized.

9. The World Bank Operations Officer also informed members that the West Africa Mining Benefit Study has been approved by the Bank and is scheduled to commence in 2009 as a preparation for the West Africa Regional Mining Governance Project planned for 2010.

CONCLUSION

10. The workshop recognized the need for harmonization of fiscal regime and regulatory framework for the Mining Sector within the Mano River Union. However, members were cautioned that harmonization does not mean all the countries within the MRU should have the same rates for fiscal regimes (royalties, land rental, etc.), but that the rates should lie within a certain band to be determined by the Fiscal Regime Consultant.

WAY FORWARD

11. MRU countries to define and agree on principles of harmonization, establish revenue collection and audit capacity to be able to identify needs, and to submit data on existing geological potential. These data are also important for developing fiscal regime.

Submitted by:

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