

## Where Are We?

---

*Questions and issues the UN Security Council should consider during the June (2006) review of timber and diamond sanctions on Liberia*

On lawlessness in Liberia's rubber industry, one of the resource sectors not under UN Sanctions, a recent UNMIL Human Rights report summarized the situation as follows ...

*"In those plantations where legitimate management has not been able to commence operations because of the continued presence of ex-combatants, the lack of vital roads makes access through the plantations, and therefore monitoring of the human rights situation, very difficult. The forest canopy is impenetrable, rendering air surveillance impracticable. There are persistent reports of weapons caches. Many of the inhabitants living in the concession areas are former employees of management companies in place before the invasion of the plantations by fighters. The revenue derived from the rubber is not subjected to taxation, and no license is obtained for the business to be conducted. Workers live in quasi-slave conditions where the employee has no power to bargain for reasonable terms and conditions." UNMIL, May 2006*

On plantations operating under governmental oversight, including the Firestone Rubber Company and Liberia Agricultural Company (LAC) the two largest rubber producers in Liberia, the report concluded...

*" There is a recurring problem on the plantations concerning illegal detention and arrest by private security officers. Guidelines issued by the Ministry of Justice fail to define the limitations on the authority of private security firms." UNMIL, May 2006*

A Summary Briefing Paper by the  
Sustainable Development Institute (SDI)  
Monrovia, Liberia  
director@sdiliberia.org  
info@sdiliberia.org  
[www.sdiliberia.org](http://www.sdiliberia.org)

May 25, 2006

## 1.0 Executive Summary

The Sustainable Development Institute (SDI) is a national Non Governmental Organization (NGO) working to transform decision making about natural resources in Liberia. The organization campaigned for an independent and broad-based forest concession review following two problematic attempts by the government to review the sector in 2004. The organization served on the Forest Concession Review Committee (2004/5) and is presently a member of the Forest Reform Monitoring Committee (2006). The SDI has been actively involved in the campaign for good governance of Liberia forest since the imposition of timber sanctions in 2003.

This briefing document from the SDI highlights issues and concerns regarding the current state of the natural resource sectors in Liberia. This briefing paper also provides SDI's position on sanctions and recommendations on a way forward following the mid term review of timber and diamond sanctions in June 2006.

It is worth mentioning here that increasing timber production and export after elections in 1997 did not contribute to Liberia's post conflict recovery then, and without reform it will not contribute to post-conflict development today. Instead, it will undermine the peace by providing opportunities for former combatants and their commanders to maintain war-time command structures as militia groups with different companies under the guise of private securities.

These figures are also telling; timber production in Liberia increased by 1,300% from 74,975 cubic meters in 1997 to 982,292 cubic meters in 2001. But this did not translate to revenue increase for the benefit of the Liberian people.

### What is the status of the forest sector reform process in Liberia?

- ◆ ***Timber concessions cancelled?*** Yes. Executive Order #1 of February 2, 2006 issued by the President, H. E. Ellen Johnson-Sirleaf cancelled all timber concessions and constituted a Forest Reform Monitoring Committee (FMRC) to oversee the forest sector reform process. The committee is also charged with the responsibility of developing a debarment list for all the forest operators that were involved in aiding and abetting civil instability and conflict in Liberia and the sub-region.
- ◆ ***Will lifting timber and diamond sanctions now impact on the reform process?*** Yes. There is no government policy or regulation in place to ensure that ongoing illegal timber extraction and domestic trade will not take on an international dimension. Furthermore, this will take away the incentive for reform and could disrupt and undermine the entire process. The government's will immediately shift towards the short-term objective of restarting and regulating large-scale export-based timber production and trade and shift away from implementing agreed measures with long-term objectives.
- ◆ ***Is the timber industry still a threat to peace and security in Liberia and the sub-region?*** Yes. Without completing the reform process or making meaningful progress including chain of custody management arrangements, new allocation procedures and processes, new tax regimes and tax collection system, there is a

real possibility of going back to *business-as-usual*, which allowed the use of timber revenue for the promotion of conflict and violence in the sub-region.

- ◆ ***New concession allocation procedures in place?*** No. This is still being discussed. The proposed process will be vetted with the public in June and July (2006) and a decision on the new concession allocation procedure is not likely until August at the very earliest<sup>1</sup>.
- ◆ ***Management contract for Chain-of-custody<sup>2</sup> completed?*** No. The post was advertised locally and internationally and bidding for this contract was formally closed on 5 April 2006. Up to the writing of this briefing paper, the management firm has not been recruited and will likely not be deployed before July 2006. Bids are now being screened and a final decision is due sometime in June.
- ◆ ***New revenue assessment and collection system in place?*** No. This will also be vetted along with the other reform proposals. Without a new tax structure and collection system, the industry will have to revert to the old system, with all its limitations, which previously allowed for the mismanagement and diversion of timber revenue.
- ◆ ***Forest zoning completed?*** No. This is underway and until it is completed, granting new concessions will continue as in a “*business-as-usual*” manner granting forest concessions without the required surveys. The absence of key forest reforms such as zoning could undermine the reform process driving more loggers to acquire concessions thus taking advantage of the present weaknesses of the system.
- ◆ ***Has government implemented the concession cancellation order?*** No. some old concessionaires, including the Togba Timber Company (TTCO) are still holding onto their concessions.
- ◆ ***When can we expect meaningful progress in the process?*** December 2006. In an exclusive interview in March 2006, the Managing Director of the FDA, Hon. John T. Woods, told IPS News that “*the reform exercises, which begun in February, will be completed by year-end, and before the start of the next logging season<sup>3</sup>*”.

## 2.0 Recommendations

There is widespread illegal diamond mining operations throughout the country side, from the border regions of Kumgbor and the outlying areas of Camp Alpha and Camp Israel in northwest Gbarpolu County across to Nimba and Sinoe counties in the east and southeast. The government is still struggling to secure and establish full control in the key mining areas across the country and to meet the criteria for joining

---

<sup>1</sup> Schedule and work program for Forest Reform Monitoring Committee (March 2006)

<sup>2</sup> The Chain-of-custody is the path which products take from the forest to the consumer, including all manufacturing, transformation and distribution links. (Timber Trade Federation, UK [www.ttf.co.uk/forests/responsible/chain\\_of\\_custody.asp](http://www.ttf.co.uk/forests/responsible/chain_of_custody.asp)) In this case, the management firm will track timber from the forest to export point and assure all stakeholders that forest laws and acceptable timber extraction practices are being adhered to in Liberia.

<sup>3</sup> <http://www.IPSNews.net/africa/nota.asp?idnews=32721>

the Kimberley Process Certification Scheme (KPCS); but the government still has some way to go. Like the diamond sector, reform in the forest sector has taken off and is now gathering momentum. But in order to address decades of mismanagement of the forest and institutional breakdown at the Forestry Development Authority (FDA), the reform process must be allowed to proceed '*one step at a time*' and should not be fast-tracked to meet or satisfied conditions for the lifting of sanctions.

**To reassure Liberians and demonstrate a commitment to fully implementing forest sector reform before re-starting large-scale, export based, timber extraction and exports, the Government of Liberia should:**

- 1. Declare a moratorium on timber and diamonds exports** until Liberia has been admitted to the Kimberley Process Certification Scheme (KPCS), the available forest sector reform package has been vetted with the public and implemented within the legal framework, and there is capacity within the oversight agencies to regulate and control activities within those sectors. For example, the FDA is still struggling to regulate domestic timber harvesting and trade and the agency clearly lacks the capacity to monitor and regulate large-scale timber extraction, processing and export by major concessionaires. This is the reason why a management firm is being sought to manage the Chain-of-custody system.
- 2. Publish an up to date road-map for forest sector reform to increase international understanding of the process.** This road-map should include an updated work program of the Forest Reform Monitoring Committee and clearly lay out the progress that has been made, critical areas such as concession allocation and Chain-of-custody that are yet to be addressed, and a realistic time-line for implementation of the remaining critical elements of the reform process. This will enable the UN Security Council and the international community to fully understand the challenges that face forest sector reform. This will also challenge donor agencies and countries to mobilize support for the process.
- 3. The Forest Reform Monitoring Committee should treat as a priority the establishment of the debarment list called for in Executive Order #1.** This debarment list for logging companies that aided and abetted civil instability and conflicts in Liberia and the sub-region should be compiled and published immediately. The list should include both the logging companies named by the Forest Concession Review Committee and the principals of those companies. This will ensure that companies placed on the debarment list will not change identities and re-invest in the sector under different names. Additionally it will target key individuals such as Gus Kowenhoven, Leonin Minin, the Fawaz clan, who have been named as being involved in the timber for guns trade.
- 4. Issue an ultimatum to all timber companies to relinquish control of forest areas covered under the agreements that have been cancelled.** An executive order should be issued to close down operational sawmills and cease all operational activities in those areas. Some companies including the Texas International and Togba Timber Company continue to maintain sawmills and operational readiness in areas they operated before Executive Order #1 was issued.

5. **Engage the European Union (EU) forest law enforcement, governance and trade (FLEGT) platform and begin dialogue about entering into a Voluntary Partnership Agreement (VPA) with the EU.** The VPA provide a unique opportunity for international assistance to deal with illegal logging in Liberia by denying market access to would-be illegal forest operators in Liberia. This will reassure and provide guarantees for investors that their investments will be protected against unfair competition posed by illegal operators.
6. **Demonstrate an unwavering commitment to transparency and accountability in the natural resource sector by endorsing the Extractive Industries Transparency Initiative (EITI) as called for by the Governance Economic Management Assistance Program (GEMAP).** The government of Liberia should engage the process and seek international technical support and advice on how to mainstream the principles of the EITI into forest sector reform. This will establish the basis for laws that will require all timber companies and other natural resource extraction companies to publicly disclose all taxes, royalties, duties, and other fees paid to the government as well as all contracts for natural resource exploitation made with the government.

**The United Nations Security Council (UNSC) should:**

1. Urge the Government of Liberia to declare a moratorium on timber exports until the critical elements of the forest sector reform, including forest zoning, new concession allocation procedures, Chain-of-custody and taxation are fully implemented and supported by enabling legislations. This will allow time for the selection of the international firm that is to manage the Chain-of-custody once it is implemented and the implementation of other critical elements of the reform process before re-starting timber export.
2. Acknowledge the positive steps that has been taken by the Government of Liberia to cancel all timber concessions in Liberia and the establishment of Forest Reform Monitoring Committee (FRMC) to oversee the reform process and underline its readiness to lift the timber sanction as soon as the Government has completed the critical elements of the reform defined in its own road map.
3. Demonstrate support for the efforts of the Government of Liberia, to reform the forest sector and meet the conditions for the lifting of sanctions on diamonds and timber, by suspending the timber and diamond sanction for the next three (3) months once the government declares a moratorium on timber and diamond export. The UN Security Council should however, make it very clear that sanctions would be automatically reactivated if the government violates the terms of its own moratorium.
4. Mandate the UN Panel of Experts on Liberia to work with the Government of Liberia to establish the debarment list for logging companies and individuals who were found to have aided and abetted the conflicts and instability in the region. Considering the expertise available within the panel and the volume of information that was gathered during the course of their international

investigations, the panel is in a unique position to assist the government and the Forest Reform Monitoring Committee to establish the debarment list.

5. Urge the Government of Liberia to immediately act on the recommendations presented above in furtherance of its reform objectives.

### **3.0 Update on Forest Sector Reform**

- 3.1 The Government issued Executive Order #1 in February 2006 canceling all timber extraction agreements including concessions agreements and salvage permits. This decision received widespread support from civil society and rural people, a critical constituency for forest sector reform.
  - 3.2 The Executive Order #1 established the Forest Reform Monitoring Committee (FMRC), which is currently working with the FDA on various reform issues. The Executive Order mandated the committee to establish a debarment list for all logging companies and their principals who aided and abetted civil conflicts and instability in Liberia and the sub-region. However, the debarment list has not been produced to clearly establish a basis for their exclusion from the timber industry. The rationale for the creation of the list is that it will effectively signal to individuals and the logging companies that bad behavior will not be tolerated and that the era of impunity has ended.
  - 3.3 The FDA is still struggling to reform itself and to put into place agreed mechanisms to improve institutional efficiency. The critical step in this direction is the recruitment and deployment of an independent management firm for the chain of custody to ensure a transparent timber tracking system from allocation of concession to timber export. The new management company will monitor allocation processes, verify management and harvesting plans, track production and processing right up to the 'vessel'. Up to the writing of this briefing paper, the management firm has not been recruited and will likely not be deployed before July 2006. The post was advertised locally and internationally and a screening process is underway. The successful company, however, will need a few months to plan and deploy the needed staff within Liberia before any allocation process can be carried out.
  - 3.4 The public consultation and vetting process for various elements of the reform proposal is due to start in June 2006, to be completed by early August. This is critical to ensuring that ordinary Liberians, especially local populations, are properly engaged and involved in the reform process as a demonstration of the government's determination to change. This may appear to be a small and an insignificant gesture, to the contrary, for people who have suffered more than a century of misrule, bad governance, exclusion and marginalization, this is a very significant undertaking. The forest sector reform must not only seek to address international concerns about forest revenue and conflicts, it must also embrace the wind of change that is sweeping over the entire country and take advantage of the opportunities it provides to reach out to local people and encourage them to look ahead and not dwell on the past.
- 4.0 Some timber companies, whose concessions were canceled, still occupy their concessions. The Togba Timber Company (TTCO), for example, still continues

to maintain its sawmill at Pugbakien in Maryland County, southeastern Liberia. The company is one of the seventeen (17) companies that were named by the Forest Concession Review Committee as having aided and abetted civil instability and conflicts in Liberia and the sub-region. It is difficult to predict what these old concessionaires' actions will be when government starts to re-allocate their areas after sanctions are lifted.

- 4.1 Without a moratorium in place to prevent any export activities by these companies, for example TTCO, lifting timber sanction carries an inherent risk of providing them and other illegal operators access to regional and possibly international markets for illegally harvested timber and create further obstacles to re-establishing the rule of law in the sector. In a worst case scenario, the Togba Timber Company (TTCO) who completely ignored the concession review process and continued to operate throughout 2005 could immediately start large-scale operation and undermine the entire reform process.

## **5.0 Conclusions**

The government is struggling to establish control and effectively regulate the production and trade of rubber which is not under UN sanctions. The government has failed to establish proper monitoring and regulatory regimes for the extraction of and domestic trade in gold, which is not under UN sanctions. The level of illegal activities in these two sectors clearly illustrate the challenges the government faces in reigning in illegal activities in all of the resource sector, which goes beyond the issue of the UNMIL providing security.

Ex-combatants continue to occupy the Sinoe Rubber Corporation (SRC) in the southeast and the Guthrie Rubber Corporation in the west. These combatants pose not only security threats, they also symbolize the challenges that government will face in the timber and diamonds sector without completing reforms and establishing a very clear code of conduct for operators after sanctions.

The government, fully aware that it is operating in a post conflict environment, must address the issue of real alternatives for ex-combatants by introducing rehabilitation and reintegration programs and packages ex-combatants will find difficult to refuse. Providing intensive skill-training opportunities in the areas of general mechanics and construction, for example, will afford young people an opportunity to prepare for a better future. Whereas forcing them in to unskilled jobs for short-term relief is sowing the seed for future conflicts.

The history of Liberia's timber industry is replete with lessons for the international community, especially the UN Security Council and donors. Increasing timber production and export after elections in 1997 did not contribute to maintaining the peace, economic recovery and post conflict development. Instead, it undermined the peace, providing opportunities for former combatants and their commanders to maintain war-time command structures as militias groups with different companies.

Although timber production increased by 1,300%; from 74,975 cubic meters in 1997 to 982,292 cubic meters in 2001, most of the revenue was lost to

corruption and weaknesses in revenue collection system. For example, of the approximately 2.5million cubic meters of logs produced between 1997 – 2001, about 732,592 cubic meters was unaccounted for in FDA reports. The meager revenue that was collected also went towards funding illegal weapons import and financing of militias that were committing atrocious human rights abuses in Liberia and the region.

It is important to remember that this increase was a direct result of weakened forest law enforcement and governance capacity within the FDA immediately after the elections in 1997. Liberia is at the same cross-road today and we are faced with the same challenges and choices; but we can not afford the same mistakes of the past.

Liberia's impoverished people, especially local populations did not benefit from this increase in timber trade. Instead, villagers were subjected to a systematic campaign of terror for close to six years. This contributed to large-scale forest degradation and presents serious challenges for nature conservation in the region. The Government of Liberia and the international community, especially the UN Security Council and donors should ensure that this must not happen again.

The UN Security Council needs to maintain its support of the government, and not allow the government to undermine its own authority and efforts, to consolidate the peace and create a stable environment for economic recovery and social renewal.