

# ECHO

SDI Environment and Development Newsletter

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- *Samling stands to influence 74% of Liberia's forests*

# WHO IS BUYING LIBERIA'S FORESTS?

## COMPANIES THAT HAVE NOT PAID, COMPANIES THAT CANNOT PAY



*Disintegrating log bridge built by logging company, Grand Bassa County.*

**T**he Forestry Development Authority has granted three large logging concessions in Liberia's forests. The three companies for these current concessions owe fees to the government but have not paid. We must demand that if we are going to let companies

cut down our forests that Liberia actually receive the money it is owed.

The Authority is currently reviewing bids for four more large logging concessions. Liberia would not benefit were any of these companies to win a con-

tract: most lack the funds to operate and there is a risk that 74 percent of the country's forests under concession will be at the control of only one company.

It is essential that the FDA acknowledge its mistakes

in awarding contracts to incapable companies. It is also essential that the FDA correct those mistakes by demanding that companies pay or by canceling their contracts. Finally it is crucial that the FDA make sure it does not make the same mistakes again when awarding the four pending concessions

*This edition of ECHO focuses on these two issues: the failure of the existing logging companies to honor their commitments and the fact that the overwhelming majority of the new bidders also do not have enough money to log.*

Undermining the Poverty Reduction Strategy (PRS) What Liberia Was Promised What We Are Actually Getting from the Companies				
Source	2007/08	2008/09	2009/10	2010/11
Poverty Reduction Strategy 2008	526,000	24,283,000	36,686,000	46,110,000
FDA 2007 Annual Report	1,771,015	16,194,915	26,238,564	35,399,434
FDA 2008 Annual Report			11,352,886	
<b>Actual</b>	<b>0</b>	<b>0</b>	<b>?</b>	<b>?</b>

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The Sustainable Development Institute (SDI) is working to transform the decision-making processes relative to natural resources and promote equity in the sharing of benefits derived from natural resource exploitation in Liberia. The organization's vision is a Liberia in which natural resource management is guided by the principles of sustainability and good governance and benefits all Liberians. Its activities cover a range of cross-cutting issues including governance and management, environment, state and corporate social responsibility, economic and social justice for rural populations and the democratic participation of ordinary people in how government manages their natural resources. SDI was founded in 2002 and received the Goldman Environmental Prize for outstanding environmental achievements in Africa in 2006. The Goldman Environmental Prize is the world's largest prize honoring grassroots environmentalists.

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## THE CURRENT LOGGING CONCESSIONS ARE NOT WORKING

The most immediate concern is the 235,000 hectares of Liberia's forest that have already been contracted out to logging companies. The Forestry Development Authority signed three contracts for large-scale concessions, FMC A, FMC B, and FMC C, in October of 2008. As reported by the Executive Mansion on May 27<sup>th</sup>, the Legislature ratified and the President signed the three concessions in May. On July 21<sup>st</sup>, the three companies were finally sent invoices requesting payment of the companies' land rental and area fees.

### Current Logging Companies Have Not Paid Their Fees

Time, then, for Liberia to begin benefiting from selling off its forests. The logging companies owe the government two types of fees every year: an area fee and a land rental fee.

Area Fees and Land Rental Fees Owed by Alpha Logging, LTTC, and E J & J			
Logging Company	Concession	Counties	Amount Owed to the Government
Alpha Logging	FMC A	Lofa, Gbarpolu	US \$1,498,000
E J & J	FMC B	Rivercess	US \$433,000
LTTC	FMC C	Rivercess	US \$718,000

Under the National Forestry Reform Law, immediately upon signing a logging contract the concessionaire must pay its annual area fee to the government. Again, the logging contracts were signed in October of last year. Thirty days after the Legislature and the Executive approve a logging company's contract a company must pay its annual land rental fee to the government. Again, the Executive Mansion advertised that it had approved the contracts three months ago.

The deadlines for each of the fees, as outlined in the law, are provided here:

Deadline 1: The Legal Deadline OVERDUE					
Companies	Fee	Due	Deadline	Paid	Status
Alpha Logging, E J & J, LTTC	Area Fee	US \$2,060,000	October 2008	ZERO	OVERDUE
Alpha Logging, E J & J, LTTC	Land Rental Fee	US \$589,000	June 2009	ZERO	OVERDUE

### Current Logging Companies Were Trying to Get Out of their Government Fees

One possible reason for the delay is that the logging companies have been trying to get out of paying the full amount of fees. According to the December 2008 UN Panel of Experts Report, the companies tried in December to reduce the fees they owe by 96 percent. They failed then, but it appears that they have tried again.

Reports have emerged from the FDA that the companies have been attempting to renegotiate the amount they should pay the government by illegally changing the way in which their fees are calculated. Logging companies are required to pay two fees to the government based upon the size of the concession they control. The land rental fee is calculated by multiplying the total number of hectares in the concession by the amount the company bid during the bidding process. The area fee is calculated by multiplying the total number of hectares in the concession by US \$2.50. These numbers are outlined in the law, the bid documents, and the companies' respective contracts. Despite this, it was reported that the companies were trying to reduce the number of hectares to which the area fees applied in an effort to reduce the fees themselves.

Fortunately, the invoices issued by SGS, the company responsible for billing the companies, reflect the law and request the full, correct payment from Alpha Logging, E J & J, and LTTC. Nonetheless, the fact that the companies were negotiating for reduced payments not only serves as evidence of why payments are being delayed, but also serves as a warning of what the current concessionaires are capable of.

### Current Logging Companies do not have the Money to Pay their Fees

A more troubling possible reason why the logging companies are delaying in paying their fees is because they do not have enough money to pay. The FDA's own due diligence stated that LTTC did not have anywhere near the capital necessary to win the concessions it bid upon. The same due diligence also stated that E J & J "has virtually no capital – no equipment and cash of less than \$0.01 million."

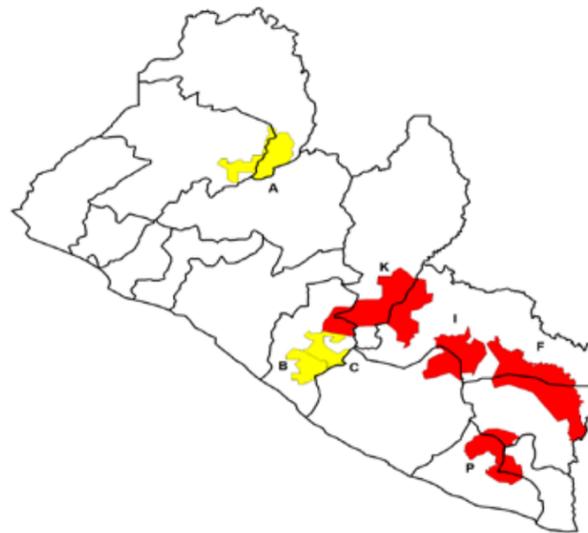
Of course, however little money LTTC and E J & J had at the time they were reviewed by the Due Diligence Panel, they have since had the opportunity to raise money or to at least prepare for felling. Each has had months prior to the start of the rainy season to get going. There are reports that Alpha Logging, with a concession in Lofa and Gbarpolu Counties, has begun preparatory work in the forest. Yet LTTC, with a concession in Rivercess County, has withdrawn its machinery to Monrovia. E J & J, also with a concession in Rivercess, never sent machinery in the first place. Can it be that LTTC and E J & J have so little money that they cannot even begin operations?

The reason Liberia has not received any area or land rental fees from the companies, the reason why the FDA has delayed in demanding payment, is that the logging companies are reluctant to pay. This is not the FDA's job. It is not the job of the FDA to negotiate payment terms with, or stall in the billing of, logging companies to the benefit of the companies and the detriment of the country. The role of the FDA is to sign concessions and ensure that the logging companies pay for what they are using. If the companies cannot pay, their contracts must be cancelled.

Nonetheless, the logging companies did not actually receive the invoices for their area and land rental fees until July 21st. The logging companies have been given, therefore, a second, later deadline for the payment. Without addressing directly the legality of establishing a second deadline for the fees, the new deadline is provided here:

Deadline 2: The New Deadline AUGUST 21, 2009				
Companies	Fee	Due	Deadline	Status
Alpha Logging, E J & J, LTTC	Area Fee	US \$2,060,000	August 21, 2009	UNKNOWN
Alpha Logging, E J & J, LTTC	Land Rental Fee	US \$589,000	August 21, 2009	UNKNOWN

The law states that the logging companies should have paid their area fees and land rental fees months ago. But the FDA has allowed for the logging companies to put off paying their fees until August, almost a year after the contracts were signed. Why has there been so much delay? There are two possible reasons.



Three Concessions Have Not Paid Yet: FMC A, B, and C;  
Can Four Future Concessions Pay?: FMC F, K, I, and P

### Clueless in the Forests:

#### The FDA and the Companies Have No Idea What is in the Forests

In addition to giving away Liberia's forests to companies who cannot pay, and apparently cannot even log, the FDA has sold concessions without knowing what the forests contain. Perhaps more worryingly, the FDA has awarded contracts to companies that have no idea what the concessions contain.

In its bid documents for each concession, the FDA included surveys it had conducted describing how many trees and what types of trees were in the forest. Unfortunately, the surveys were done very badly, and produced the following results:

Concession	Size of Concession	Size of Area Surveyed	Percentage of Concession Surveyed
FMC A	119,240 ha	3.1214 ha	0.0026177
FMC B	59,374 ha	1.9452 ha	0.0032761
FMC C	57,262 ha	1.9000 ha	0.0033180

*To be clear: For each concession, the FDA surveyed around 0.003 percent of the forest to be given away. In decimal terms that is 0.00003 of each concession. Neither is a typographical error. The bid documents claim that the FDA surveyed 3 percent of each concession. That was a typographical error.*

There is no way the FDA can know what it has given away having sampled so little of the forest. There is no way a responsible logging company would bid based on such a small sample of the forest. There is no way we know what has just been bought and sold.

This mistake is being repeated for the four new concessions. The sample sizes are roughly the same.

**THE FDA IS ABOUT TO REPEAT ITS MISTAKES**

Unfortunately it appears that the next four logging concessions will suffer from the same problems – the FDA is making the same mistakes again.

The Authority is currently evaluating bids for four new concessions totaling over 770,000 hectares. Serious questions have arisen, however, as to whether the companies that have bid for these concessions have the money to meet their obligations or would respect the law were they to win the concessions.

<b>The 4 New Concessions, the Counties, and the Companies</b>		
<b>Concession</b>	<b>Counties</b>	<b>Companies Bidding</b>
<b>FMC F</b>	Grand Gedah, River Gee	International Consultants Capital; Euro Logging Liberia; Atlantic Resources Limited
<b>FMC K</b>	Rivercess, Nimba Grand Gedah	Timbertek; Southeast Resources; Global Wood; Keita Brothers; International Consultant Capital
<b>FMC I</b>	Grand Gedah, Sinoe	Washcox & Knight; Geblo Logging; Keita Brothers; Universal Forestry
<b>FMC P</b>	Grand Kru, Maryland River Gee	Unitimber; Atlantic Resources; Universal Forestry; Global Wood

**Future Logging Companies Do Not Have Enough Money**

First, NONE of the companies that bid on the four new concessions has enough money themselves to log. They all are relying on other companies and individuals for support:

<b>All 11 Companies Do Not Have Enough Money Themselves to Log</b>			
<b>Company</b>	<b>Where They Want to Log</b>	<b>Company Needs (million USD)</b>	<b>Company Has (million USD)</b>
<b>Global Wood</b>	G. Kru, Maryland, River Gee (FMC P); Nimba, Rivercess, G. Gedah (FMC K)	15 – 35	<b>ZERO</b>
<b>Unitimber</b>	G. Kru, Maryland, River Gee (FMC P)	15	<b>6.6</b>
<b>Universal Forestry</b>	G. Gedah, Sinoe (FMC I); G. Kru, Maryland, River Gee (FMC P)	15 – 30	<b>4.1</b>
<b>Keita Brothers</b>	G. Gedah, Sinoe (FMC I); Nimba, Rivercess, G. Gedah (FMC K)	15 – 35	<b>ZERO</b>
<b>International Consultant Capital</b>	G. Gedah, River Gee (FMC F); Nimba, Rivercess, G. Gedah (FMC K)	20 – 40	<b>ZERO</b>
<b>WashCox &amp; Knight</b>	G. Gedah, Sinoe (FMC I)	15	<b>ZERO</b>
<b>Geblo Logging</b>	G. Gedah, Sinoe (FMC I)	15	<b>ZERO</b>
<b>Euro Liberia Logging</b>	G. Gedah, River Gee (FMC F)	20	<b>13.3</b>
<b>Timbertek</b>	Nimba, Rivercess, G. Gedah (FMC K)	20	<b>ZERO</b>
<b>Atlantic Resources</b>	G. Kru, Maryland, River Gee (FMC P); G. Gedah, River Gee (FMC F)	15 – 35 million	<b>ZERO</b>
<b>Southeast Resources</b>	Nimba, Rivercess, G. Gedah (FMC K)	20 million	<b>ZERO</b>

Information drawn from the Bid Documents for each Concession and from the “Final Due Diligence Report FDA, Volume II: Final Financial Due Diligence Report on FDA Bidders,” compiled by the International Procurement Agency, 30 June, 2009.

This means that all 11 logging companies bidding must have international support to log. Unfortunately, 10 of those 11 companies do not have the international support they need. In fact, eight of the 11 companies have no reliable international support at all.

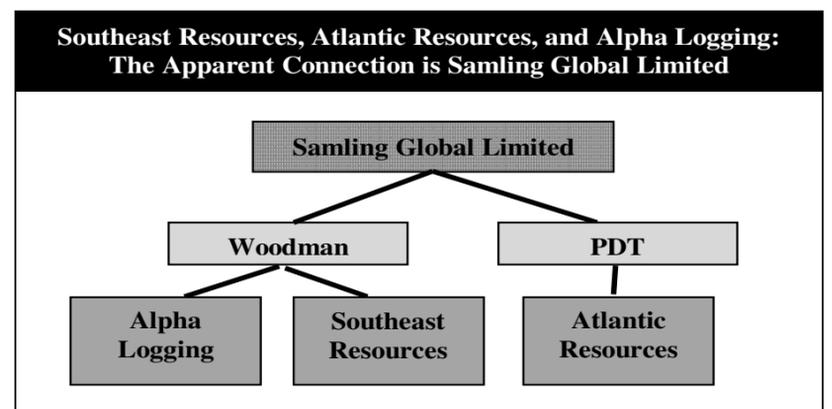
<b>10 of 11 Companies Do Not Have Enough International Money to Support Them</b>				
<b>Company</b>	<b>Supposed Principal Supporter</b>	<b>Company Needs (million USD)</b>	<b>International Support (million USD)</b>	<b>Why There is No Support</b>
<b>Global Wood</b>	None	15 – 35	<b>ZERO</b>	No International Supporters
<b>Unitimber</b>	Various	15	<b>ZERO</b>	No info on whether any Supporters have any money
<b>Universal Forestry</b>	None	15 – 30	<b>ZERO</b>	No International Supporters
<b>Keita Brothers</b>	Societe Industrielle Thanry	15 – 35	<b>ZERO</b>	No promises from Supporter. No info on whether supporter has any money
<b>International Consultant Capital</b>	Sealord	20 – 40	<b>ZERO</b>	Supporter’s promise not enforceable.
<b>WashCox &amp; Knight</b>	Moderna Carri	15	<b>ZERO</b>	Supporter’s promise not enforceable
<b>Geblo Logging</b>	Int’l Trade and Trust	15	<b>ZERO</b>	Supporter’s promise not enforceable
<b>Euro Liberia Logging</b>	Delson Enterprises	20	<b>0.90</b>	Supporter only has US \$900,000
<b>Timbertek</b>	John Bitar	20	<b>Unknown</b>	Supporter only has US \$17 million, and that money already promised to LTTC
<b>Atlantic Resources</b>	PDT/Samling	15 – 35	<b>ZERO</b>	PDT does not have the money it promised. No enforceable relationship between Atlantic and Samling.
<b>Southeast Resources</b>	Woodman/Samling	20 million	<b>Unknown</b>	Woodman’s money already promised to Alpha Logging. No enforceable relationship between Southeast and Samling.

Information drawn from the “Final Due Diligence Report FDA, Volume I: Legal Due Diligence, Volume II: Final Financial Due Diligence Report on FDA Bidders, and Volume III: Response to the Comments of the Draft Due Diligence Reports,” compiled by the International Procurement Agency, 30 June, 2009.

Some of the companies – Global Wood, Universal Forestry – bid without having enough money of their own and did not claim to have international support. A larger group of companies claimed that they would receive international support, but cannot actually prove that the support would arrive. In the cases of International Consultant Capital, Washcox & Knight, and Geblo Logging the promises between the company and the supporter are not real contracts. In the case of Keita Brothers no promise was even made in the first place by the supporter. And in the case of Euro Liberia Logging the Due Diligence Report revealed that the supporter does not have the money to back up its promises.

**Two Future Companies With Worrying Ties: Atlantic Resources and Southeast Resources**

Two companies – Atlantic Resources and Southeast Resources – require additional examination because of the way in which they are linked. Atlantic Resources is dependent upon PDT, an international company that has made a binding commitment to provide Atlantic Resources with US \$60 million. Unfortunately, PDT does not have US \$60 million. PDT is, however, related to another international company, Samling, a Hong Kong-listed logging company with considerable financial resources. An online search reveals that PDT and Samling Strategic Corp. have the same address, and according to the Due Diligence Report, PDT and Samling Global Limited share stock. (See box “Samling and Liberia: A Company That Does Not Pay Dominating The Forests.”)



Southeast Resources is dependent upon Woodman, an international company that has made a binding commitment to provide Southeast Resources with US \$75 million. Woodman has US \$75 million, but unfortunately has already promised US \$70 million to Alpha Logging, the winning concessionaire for FMC A. Woodman is also related to Samling: the Due Diligence Report points out that Samling Global Limited and Woodman have the same Director while a company linked to Samling issued a press release confirming that Samling Strategic Corp. owns half of Woodman. (see Diagram, above.)

Atlantic Resources will not ultimately be receiving its support from PDT, but rather from Samling. However, Atlantic Resources has no binding agreement with Samling to provide this money. Southeast Resources may receive its funding from Woodman, but only if Woodman can quickly double the equity it has to meet all of its promises. Both Atlantic Resources and Southeast Resources are companies dependent upon an international supporter that has no binding obligations to provide them money. Liberia is a country dependent upon a company – Samling – that has no obligation to stay in the country.

**THE GRAND TOTAL: VERY LITTLE**

The result is a dismal situation in which nearly all of the bidders under review cannot perform logging in Liberia because they lack the money to do so:

<b>Grand Total: 10 of 11 Companies Do Not Have Anywhere Near Enough Money</b>					
<b>Company</b>	<b>Company's Money (million USD)</b>	<b>Supporter's Money (million USD)</b>	<b>Total Money (million USD)</b>	<b>Money Needed (million USD)</b>	<b>MONEY COMPANY NEEDS BUT DOES NOT HAVE (million USD)</b>
<b>Global Wood</b>	Zero	Zero	Zero	15 – 35	<b>15 – 35</b>
<b>Unitimber</b>	6.6	Zero	6.6	15	<b>8.4</b>
<b>Universal Forestry</b>	4.1	Zero	4.1	15 – 30	<b>10.9 – 25.9</b>
<b>Keita Brothers</b>	Zero	Zero	Zero	15 – 35	<b>15 – 35</b>
<b>International Consultant Capital</b>	Zero	Zero	Zero	20 – 40	<b>20 – 40</b>
<b>WashCox &amp; Knight</b>	Zero	Zero	Zero	15	<b>15</b>
<b>Geblo Logging</b>	Zero	Zero	Zero	15	<b>15</b>
<b>Euro Liberia Logging</b>	13.3	.90	14.2	20	<b>5.8</b>
<b>Timbertek</b>	Zero	Unknown	Unknown	20	<b>Unknown</b>
<b>Atlantic Resources</b>	Zero	Zero	Zero	15 – 35	<b>15 – 35</b>
<b>Southeast Resources</b>	Zero	Unknown	Unknown	20	<b>Unknown</b>

**Samling and Liberia:  
A Company That Does Not Pay Dominating The Forests**

Samling Global Limited is a large, Hong Kong-listed company whose owner has equity of US \$596 million. According to the Due Diligence Report, the company is linked to PDT, the company that should be financing Atlantic Resources. Atlantic Resources hopes to win concessions for FMC F and FMC P, between them over 370,000 hectares of forests. Samling also has a relationship with Woodman and Woodman should be financing Southeast Resources. Southeast Resources hopes to win the concession for FMC K, which has over 266,000 hectares. Woodman already finances Alpha Logging, the concessionaire for FMC A with 119,000 hectares. Therefore:

**Hectares Liberia has put up for logging: 1,036,000 hectares**

**Hectares Samling is in a position to influence: 757,000 hectares**

**% of forests under concession Samling can influence: 74 %**

Disturbing as this number is, more worrying is that the company that aims to dominate Liberia's forestry industry has a reputation for not playing by the rules. Reports circulate that, when operating in other countries, Samling and its subsidiaries violate the rights of local communities, log where they are not supposed to, are involved with corrupt government officials, fail to declare logs they have harvested, and abuse a tagging system similar to the one that will underpin Liberia's chain of custody system. In 2007, 37 organizations from 18 different countries demanded that people not invest in Samling because of its environmental and human rights record. To investigate this desperately troubling behavior, visit [speaking4earth.net](http://speaking4earth.net) or [borneoproject.org](http://borneoproject.org).

If the FDA awards contracts for the four new concessions to the bidding companies it will repeat mistakes that have led to problems with the three concessions already granted. Ten of the bidders do not have anywhere near enough money to successfully log and five of those should not even be allowed to bid in the first place. The one bidder that does have enough money is tied to a company that aims to control 74 percent of our forests under concession. At this rate, it is impossible that logging in Liberia's forests will benefit Liberia.



*Community electing its Community Forestry Development Committee in Gbarpolu County*

**RECOMMENDATIONS: WHAT CAN BE DONE?**

1. The FDA must ensure that Alpha Logging, E J & J, and LTTC pay their area fees and land rental fees August 21st, as established by the invoices issued on July 21st of this year. Those companies that fail to pay the invoiced amount must have their contracts cancelled.
2. The FDA must resurvey all seven large concessions (FMCs) with a level of statistical accuracy that actually gives the government, the people, and companies an idea of what the forests contain.
3. The FDA must only award new concessions to companies that meet the financial requirements established in the bid documents. At present, the FDA cannot award any of the four new concessions to 10 of the 11 current bidders.
4. The FDA must ensure that Samling Global Limited is not allowed to dominate Liberia's timber industry. The Authority must not award Samling or the companies it controls concessions that would allow it a dangerous level of control of our forests.