Working for development?

ArcelorMittal's mining operations in Liberia

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extractive industries: blessing or curse?

Working for development?

ArcelorMittal's mining operations in Liberia

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Introduction

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This report is a follow up to the briefing on ArcelorMittal's performance in Liberia published in 2009, 'ArcelorMittal: Going nowhere slowly – a review of the global steel giant's environmental and social impacts in 2008-2009'.

This report takes a closer and more in depth look at the company's activities in Liberia in terms of their contribution to the country's development. Time and again, ArcelorMittal has claimed that their Liberia operation is the successful example of their corporate social responsibility strategies and community engagement. This report is also an attempt to look into those claims to see how far community has benefited from their activities.

Mining in Liberia has been contentious and blamed for fuelling conflict, however sustainable and judicious use of natural resources can enable the country to build up its economy and improve the living standards of the poor. The benefits of mining these natural resources should percolate down to the communities and that responsibility lies equally with the Liberian government as well as the mining corporations like ArcelorMittal. Ideally, it should help earn foreign exchange through the export of minerals, create jobs, improve health and education, and see profits invested in other economic sectors. All of these activities could potentially contribute to reduction of poverty and achieving the Millennium Development Goals in Liberia.

The World Bank concluded in a 2004 report[1] on the extractive industries that investments in the industry can only contribute to achieving the Millennium Development Goals, if a number of conditions are met. These conditions are related to good governance in host countries, prevention of corruption, high environmental and human rights standards, revenue transparency and making sure that the poor benefit from extractive industry revenues. These recommendations are still completely valid and crucial.

This report provides the views of the civil society groups united within Global Action on ArcelorMittal, on how far the company has contributed to the realisation of these conditions in Liberia.

The aims of this report are to:

- list key concerns and provide recommendations to improve ArcelorMittal Liberia's performance in terms of its social and environmental impact on the country's development
- provide analysis of the company's performance to international civil society, Liberia's citizens and decision makers

The analysis is conducted through a review of the County Social Development Fund, established in fulfilment of Article 12 of the Mineral Development Agreement between the Government of Liberia and ArcelorMittal Liberia, on the first anniversary of its functioning; as well as by examination of the company's performance in terms of its involvement with communities and its impact on health, social and environmental issues.

This report also provides information about the main conditions of ArcelorMittal investment in Liberia, and the current state of this project development as well as other investments in Liberia's iron ore sector. It also looks into the fact whether ArcelorMittal is performing in accordance with the OECD Guidelines for Multinational Enterprises.

The field investigations were carried out in 2009 by a Global Action on ArcelorMittal team who visited the three counties that are hosting ArcelorMittal's operations (Nimba, Bong and Grand Bassa counties) and met with a cross-section of stakeholders. These included villagers, workers, civil society and NGO workers, legislators from the counties and Members of Senate, government agencies, local government officials and individuals recruited to manage projects funded by the County Social Development Fund. Two meetings were held with ArcelorMittal staff in Yekepa (Nimba County) and Buchanan (Grand Bassa County).

The issues arising from this review go to the heart of the ethical debates about whether it is better for the corporations to make voluntary social contributions or to pay taxes that are negotiated in a fair and transparent manner, during contract negotiations. For example, in the previous contract with the interim government of Liberia, ArcelorMittal enjoyed a tax holiday and was given control of major state assets. Ironically, it was in that contract that the idea of the Social Development Fund, which became a key selling point of the contract, was introduced. This contract was made void by the newly elected government, after international pressure, as the contract heavily favoured ArcelorMittal (This was prior to the merger with Arcelor).

Donated by ArcelorMittal .

Executive Summary

The County Social Development Fund established by the government of Liberia and ArcelorMittal is failing to address the needs of communities impacted by the operations of ArcelorMittal.

GAAM meeting with the inhabitants of Barpa, Nimba County.
© dana sadykova, karaganda ecological museum

There is public dissatisfaction with the manner in which the fund is being managed by the government and ArcelorMittal. Reports of misappropriation and misuse of the fund are widespread, but none of those implicated in the alleged misuse of money from the fund, has been investigated or punished. Although the President, H. E. Ellen Johnson Sirleaf lamented this in her state of the nation address in January, to date there has been no indication that anyone will be held accountable for the misuse of the funds. Instead of the fund contributing to the government's efforts to meet the objectives of the Poverty Reduction Strategy, it is apparent that the fund has been turned into a cash cow for corrupt local officials and their agents. This raises doubts about whether the fund will achieve its stated objectives of improving the lives of peoples affected by ArcelorMittal operations in Liberia.

The majority of those involved with the management of the fund are presidential appointees. Citizens in the three counties have been largely marginalised and excluded in the process. Therefore the failure of the President to hold her appointees accountable is unacceptable. Of additional concern are reports that she instead intends to further reinforce the authority of these same local officials over the funds. With general elections coming in 2011, and taken into account the fact that some of these officials have publicly stated their desires to contest in these elections, the possibility of these local officials diverting money from these funds to campaign purposes are extremely high. The risk is high and the president needs to rethink her plans for reforming the institutional and management arrangements of the fund.

ArcelorMittal Liberia on the other hand shares responsibility for these funds. The company cannot hide behind the issue of sovereignty and allow itself to become an accomplice in the mismanagement of the fund. The company holds a 50% decision making authority over the funds and that is sufficient leverage it can use to ensure that the funds are properly used. One way the company could ensure this is to call for a radical overhaul of the governance and management systems put in place for the fund.

The government of Liberia and ArcelorMittal should together ensure transparency in the decision making and management of the funds. To date the level of transparency has been inadequate and the selective manner in which information is provided to the public is unacceptable. For example, it is nearly one year since ArcelorMittal Liberia assessed the implementation of projects at the local level, to date the report of that assessment has not been made public. If the findings of that assessment is the basis for the current reforms being considered, then the public need to know what went wrong, who was responsible and how the government and ArcelorMittal Liberia plans to address the identified weaknesses in the current system.

ArcelorMittal must do more to support good governance and it must act in ways that support the rule of law and not undermine it. The company's decision to donate 100 pick-up trucks that ended up with legislators was not in the best interest of Liberia and was a violation of the OECD Guidelines for Multinational Enterprises, as it was a breach of the Combating Bribery section of the guidelines. The failure of the government to use these vehicles for the purpose the company claims it donated them bears testimony to this. The company's performance on other aspects of their agreement is also inadequate. Barely doing enough, so as to arguably be in compliance with the legal obligations in its contract does not represent a company that prides itself as a good corporate citizen.

In this context, the donation of vehicles that ended up in the hands of Liberia's politicians and the inaction to solve this issue on the company side places ArcelorMittal within a group of enterprises that according to the OECD Guidelines for Multinational Enterprises neglect appropriate standards and principles of conduct in an attempt to gain undue competitive advantage.

Key Recommendations

To address the issues discussed in this report the government of Liberia and ArcelorMittal need to take a step back and reflect on their failures so far. To better inform and deepen these reflections, both parties should:

1. Commission a forensic audit of the entire County Social Development Fund operation to date. The audit should, amongst other things, focus on all financial transactions of the Dedicated Funds Committee, the County Development Management Committee and the project managers in the three counties. The report should be made public.
2. Make public last year's assessment of the fund, which to a large extent establishes the basis for the current reform of the structure and management of the fund. This will enable the public to determine the extent to which that assessment addresses the identified issues and challenges related to the management of the fund.
3. Put a halt to any further release or appropriation of funds from the County Social Development Fund until the above audit and assessment have been completed and the recommendations implemented.
4. Ensure that no money from the CSDF is used now or in the future to renovate government buildings, government offices, buy equipment for government offices, host government festivities or to prepare for government festivities in any of the three counties.
5. Investigate all cases of fraud and mismanagement and prosecute those accused. The guilty parties should be punished according to the law. In Bong County, for example, the Superintendent and the other individuals involved with the design and implementation of the first round of projects should be made to fully and properly account for all the monies they received.
6. Address cases of conflict of interest that currently exist within the governance system for the County Social Development Fund. Institutions and individuals involved with the project approval process should not be involved with the process for developing or implementing projects in the counties. For example, the Ministry of Internal Affairs should not serve on the Dedicated Funds Committee while involved with project formulation and/ or implementation.
7. Dissolve all the County Development Management Committees and replace them with representative and elected committees that are accountable to the people of each county.
8. Ensure that affected communities are the true beneficiaries of the County Social Development Fund. A first step is to guarantee that at least 20% of the funds benefits directly affected communities.
9. Construct, maintain and operate health facilities in the concession area using modern equipment and procedures with accepted international standards.
10. Provide training for Liberian citizens for skilled, technical, administrative and managerial positions.
11. Conduct its operations in accordance with the environmental protection and management law of the Republic and undertake regular environmental audits and assessments.
12. Ensure stricter control of subcontractors in terms of employment, health and environmental impact.
13. Negotiate and enter into a legally binding agreement that will ensure that ArcelorMittal will not conduct mining or exploration activities in the East Nimba Nature reserve. This agreement should guarantee the integrity and maintenance of the status of the area for the entire period of the 25-year mining concession. If ArcelorMittal is not willing to enter into such an agreement, it should return this area to the Liberian state.
14. Ensure that the pick-up trucks that ended up with legislators are used for the agreed purpose, which is to provide agricultural services to Liberian farmers. And commit not to engage in any further donations or gifts that might end up in the hands of Liberian decision makers.
15. Instead of claiming its corporate responsibility by making voluntary social contributions, ArcelorMittal should pay proper taxes that are negotiated in a fair and transparent environment during contract negotiations.

ArcellorMittal in Liberia

1

1.1 Background

ArcelorMittal's investment in Liberia's iron ore sector seeks to insulate its steel business from surging iron ore prices and to secure an uninterrupted supply of raw material for the company's steel mills. The Liberian mining project is its most ambitious to date. For the company, it is a test, of whether it can successfully implement the difficult new mining projects that underpin its expansion plans.

Liberia, recovering from two decades of civil war and instability, desperately needs to rebuild its economy and improve the living standards of its impoverished population. Thousands of ex-combatants and war-affected youths need education and training. They also need employment to reduce their vulnerability to recruitment by armed groups that could take the country back to war.

ArcelorMittal has experience operating in challenging countries, snapping up ageing steel mills and mines from Kazakhstan to Bosnia and turning them around. But whereas earlier acquisitions were often rundown assets in inhospitable regions, they were still functioning. In Liberia, ArcelorMittal is taking over an old mining project that was abandoned by a Liberian-Swedish-American company, Lamco, in 1989 during the country's first civil war. The operation will have to be rebuilt nearly from scratch.

Despite the fact that ArcelorMittal's mining operations have not even begun, the company's responses to the numerous critical socio-political and environmental challenges it faces in Liberia are inadequate given their importance. It seems that the company is following the route of the extractive industries operating in other developing countries haunted by the "resource curse," such as Nigeria, where decades of oil exploration has resulted in environmental degradation and human rights abuse. The promises of development and an end to poverty have never materialised.

ArcelorMittal seems to be neglecting the fact that Liberia receives low scores in most international governance and anti-corruption indicators. Widespread public anger at the governing elite, in particular for the mismanagement of the country's natural resources, was one of the original causes of the civil war. Such resentment may possibly surface again.

1.2 Concession overview

A 25-year concession to develop the iron ore deposits, situated in the north-west of the country, near the border with Guinea, was first negotiated in 2005 between Mittal Steel (Mittal took over Arcelor, the European steel firm, a year later) and the National Transitional Government of Liberia (NTGL). The total investment package was put at US$900 million. Mittal agreed to an annual payment of US$3 million for communities that would be affected by Mittal Steel operations. The NTGL handed over several State assets, including the railway linking the mines in Yekepa and the port city of Buchanan. Housing estates and hospitals in Yekepa and Buchanan and the Port of Buchanan were handed over to Mittal Steel. A five-year renewable tax holiday was also granted to the company.

Following the signing of the deal, there were many allegations of bribery, coercion and external pressure leading to the awarding and signing of the Mineral Development Agreement (MDA) with Mittal Steel. Many critics and analysts considered the contract unfavourable to the new government of Liberia and the people of Liberia. Global Witness' 2006 report "Heavy Mittal?"[2] highlighted the following concerns:[3]

- Mittal Steel had control over the amount of royalties paid to the government because the MDA did not specify the mechanism to set the price of ore and left open the basis for intra-company pricing, creating a strong incentive for Mittal to sell ore below the market value to an affiliate, which would reduce the actual royalties paid to the government.

Old mining excavator in Tokadeh Mine, Nimba Mountains
© darek urbaniak, foe europe

- Mittal Steel were given a five-year extendable tax holiday in Liberia and, once this was over, the company would enjoy a tax scheme that encouraged the repatriation of profits to low tax regimes in Cyprus and Switzerland, thereby potentially denying Liberia of significant revenues.
- The company structure created by Mittal protected the parent company from guaranteeing or bearing the risk of the activities and liabilities of its subsidiary in Liberia.
- Two major public assets of Liberia, a railway and the port of Buchanan, were transferred to Mittal Steel and the government will only be allowed to use these facilities if there is spare capacity.
- The stabilisation clause froze Liberia's laws on concessions, and had the potential to undermine Liberia's right to regulate in important public policy areas such as human rights, the environment and taxation. It could severely limit Liberia's ability to fulfil its current and future obligations under the Liberian Constitution, as well as its commitments under international law.
- The Concessionaire was given far-reaching authority to possess public and private land without providing adequate compensation or the means to seek effective redress.
- The provisions for the maintenance of a security force by the Concessionaire failed to adequately establish the limits of its authority, which could be particularly harmful in Liberia, in view of the historic involvement of private security forces in human rights abuses.

Heinrich Böll Stiftung in its "Resource Governance Dossier" also claimed that much of the controversy around the signing of the MDA by the transition government centred on allegations of corruption at various stages of the allocation process.[4] For example, some members of the legislature were accused of receiving bribes to ratify the MDA. Most of the legislators reportedly did not see the full text of the MDA and apparently relied on a 2-page summary of the 79-page MDA prepared by the executive branch, which had negotiated the agreement. Numerous questionable terms in the MDA drew criticism from a few members of the legislature, members of civil society, some technical experts and the public,[5] thus making the MDA a critical issue during the Liberian presidential campaign of 2005. This consequently attracted a pledge from the incumbent president, then a candidate, that she would review the agreement if elected.

Following the inauguration of President Ellen Johnson-Sirleaf in 2006, the government of Liberia and Mittal Steel agreed to re-negotiate the contract. The amended contract was signed on 28th December 2006. The new MDA was ratified by the Liberian Legislature in May 2007. The MDA changed the terms of use of the state assets that were initially turned over to Mittal Steel. The investment package was increased to US$1 billion and the tax holiday was abolished. Mittal Steel later increased the entire package to US$1.5 billion.

According to the MDA, ArcelorMittal is obliged to provide approximately US$73 million over the 25 year span of the agreement to support socio-economic development in Liberia via the County Social Development Fund (CSDF) – US$3 million on an annual basis to three counties most affected by company operations: Nimba, Bong and Grand Bassa.

1.3 Investment plan

ArcelorMittal is planning the development of an iron ore mining hub in West Africa. Mining licenses are still available in the region, and it is more conveniently situated for markets in Europe, the Middle East and the United States than current major exporters such as Western Australia or Brazil. According to Mittal, the Liberian investment is the company's cornerstone in West Africa.

The company's investment in Liberia (25-year concession to develop the iron ore deposits), is a complex plan involving:

- Rehabilitation and reopening of the iron ore mines in Nimba County (Nimba Western Area Iron Ore Deposits Liberia. Tokadeh, Gangra and Yuelliton mines)
- Renovation of the port of Buchanan, to accommodate iron ore carriers.
- Rehabilitation of the 270 kilometre railway from Buchanan to Yekepa.
- Construction of a 250-megawatt power plant to supply an iron ore processing facility.

According to the MDA, ArcelorMittal is also obliged to:

- Provide the government with financial reports on the quantity of iron ore produced and sold every quarter, and report on all operations and activities at the end of each financial year;
- Construct, maintain and operate health facilities in the Concession Area with modern equipment and procedures under accepted international standards;
- Provide training for Liberian citizens for skilled, technical, administrative and managerial positions;
- Conduct its operations in accordance with the environmental protection and management law of the Republic and undertake regular environmental audits and assessments.

The company is also rehabilitating and rebuilding houses and schools, built and financed by Lamco, in the town of Yekepa.

Production of iron ore was set to begin in 2009, initially at 500,000 tonnes a year and gradually ramping up to as much as 25 million tonnes by 2011. If successful, it will boost more than half of ArcelorMittal's current captive iron ore supply of 46 million tonnes a year. The company has now pushed back this date and said it will make the first ore shipment in the third quarter of 2011. The company expects significant construction and development work to get underway in 2010.[6]

1.4 Iron ore mining sector development in Liberia

Liberia should see substantial iron ore developments over the next five years. In addition to Arcelor Mittal's investment and the recently signed agreement with Chinese company China Union, which benefits from significant Chinese government backing, to redevelop the former Bong reserves, great interest is being shown in the further tendering of the former Bomi and Mano River reserves (by Severstal Liberia Iron Ore), and the Bea Mt and Wologisi reserves. Taken together with BHP Billiton's advanced exploration of its two targets (Goe Fantro and Kitoma) and the Putu exploration, Liberia should see massive iron ore developments including the potential rail transit to Buchanan of Nimba iron ores mined in Guinea.

As announced in January 2010, BHP Billiton (BHP) is already in talks with ArcelorMittal to potentially form an iron-ore joint venture (JV) in West Africa by combining their iron-ore assets and infrastructure in Liberia and Guinea into a single joint venture. The iron ore interests of the two companies in Liberia and in Guinea are located in close proximity. [7] BHP would benefit from shipping ore to the Liberian coast via Yekepa – the Buchannan railway, cutting hundreds of kilometres from the access route to the sea in Guinea, and ArcelorMittal would benefit from BHP's mining expertise.[8]

The assets include BHP's 43.5% interest in Guinea's Euronimba, which owns 95% of the Nimba project, including exploration leases at Dieke and Nimba North, as well as the miner's four Liberian leases (Wologizi, Kitoma, Bomi East, and Goe Fantro). According to the government of Liberia, the company will seek an MDA for the Kitoma and Goe Fantro iron ore deposits in Nimba and Grand Bassa counties.[9]

In January 2009, China Union announced a US$2.6 billion capital investment in the Liberian iron ore sector, the biggest single foreign investment in the country. The contract signed between China Union and the Liberian government foresees 25 years of iron ore production from the Bong deposit (Bong County), which is estimated to contain 300 million tonnes of low grade ore.[10] The first production of iron ore pellets from the Bong development is expected within 18 months.

International and local civil society organisations say that, despite the positive aspects of the contract, the agreement is vague in parts, potentially leaving it open to abuse. Greater clarity and rigour are required to prevent serious problems from arising in the future, particularly in the provisions relating to the resettlement of communities, the fiscal stabilisation clause and the clauses governing the feasibility study. It is critical that significant international support is given to develop local civil society and state capacity and an independent judiciary to provide the checks and balances needed to ensure oversight of the contract's execution.

Damaged Lamco truck near Yekepa, Nimab County
© darek urbaniak, foe europe

In August 2009 the Russian company Severstal Resources announced that they were in discussions with the government of Liberia for a 25 year MDA for the Putu Iron Ore project. The potential concession area is located in the centre of a 425 square kilometres exploration licence in Grand Gedeh County of eastern Liberia, approximately 100 kilometres north-east from the potential deep water port of Greenville and 200 kilometres south-east of the Mt. Nimba iron ore deposit.[11] The initial estimates of the concession show that it may hold 1.08 billion tonnes of iron ore in two prominent ridges, Mt. Jideh (with its extension Mt. Montroh) and Mt. Ghi.

Severstal Resources is one of the biggest Russian mining companies and manages all Severstal's mining assets: two iron ore mining complexes and a coking coal complex in northwest Russia, one coking coal complex in the USA (PBS Coals) and the Severstal Liberia Iron Ore project. Severstal Resources is a 6.29% shareholder in Mano River Resources Inc through its wholly owned subsidiary, Lybica Holdings BV.

1.5 Challenges

The main problem with these investments is the enormous scale of the development facing Liberia: it remains one of the poorest and least developed countries on earth, with a per capita income of US$500 per year, unemployment at an overwhelming 85%, and 80% of the population living below the poverty line, in a country of some 3.5 million. The country's estimated gross domestic product was US$926 million in 2008, according to World Bank data.

According to the ArcelorMittal Liberia CEO Joseph Matthews, the company's investment is expected to generate about 3,500 direct jobs and about 15,000 to 20,000 indirect jobs when full mining production is realised.[12] In this context, the new jobs promised by the company are a drop in the ocean.

ArcelorMittal will also be the third largest and most powerful private company in the country after BHP and China Union, so the pressure on it to deliver more in this respect is likely to escalate. Furthermore, as ArcelorMittal was the first company to invest in iron ore mining, its performance is likely to set the standard for the other mining companies.

The second reason for concern is that ArcelorMittal's public responses to similar socio-political and environmental challenges it faces in other countries are inadequate, and this is only likely to be more severe in Liberia, given the number of issues it faces there. Some companies have said that they see that their own interests lie in working hand-in-hand with governments and local and international civil society organisations to improve their performance in terms of social, environmental and development issues.

Despite this growing awareness, most companies still struggle in this respect. ArcelorMittal's efforts in Liberia will be judged against its rather weak record in other countries where it operates and also against the overall extractive industry's performance. Issues of corruption that have come up in relation to ArcelorMittal's performance in Liberia also do not indicate that the company has a very different approach from how other extractive companies are operating in Africa. At the global level, ArcelorMittal is only now developing its corporate social responsibility (CSR) policies and procedures (on human rights, for example).

In environmental terms, one of the largest challenges the company faces is to properly conduct, release and implement the Environmental Impact Assessment (EIA) for its mining operations in the Nimba Mountains. Located on the borders of Guinea, Liberia and Côte d'Ivoire, Nimba Mountain, excluding Liberia's portion, has been a nature reserve since 1944. Currently, covering 180 km², the Mount Nimba Strict Nature Reserve is classified as a World Heritage Site, including both rainforest and savannah. It is a "strict" reserve, forbidding even tourism.[13]

Board of Liberia Extractive Industry Transparency Initiative, Bong County
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Assessment of ArcelorMittal's performance 2

2.1 Review of the County Social Development Fund

The government of Liberia and ArcelorMittal established the County Social Development Fund (CSDF) in fulfillment of Article 12 of the amended Mineral Development Agreement (MDA) between the two parties. The fund was established as a part of ArcelorMittal's Corporate Social Responsibility plan to benefit Nimba, Bong and Grand Bassa counties.

Under the MDA, ArcelorMittal is obliged to allocate US$3 million on an annual basis to the three counties where the company will operate during the entire duration of its 25-year long concession. These counties are Nimba, Bong and Grand Bassa. According to the agreement Nimba County should receive US$1.5 million annually, Bong US$0.5 million, and Grand Bassa US$1 million.

Furthermore, 20% of each county's allocation must be spent annually in communities classified as 'directly affected by ArcelorMittal operations'. These allocations constitute the CSDF. The priorities of the CSDF should be subject to consultations at the county and community level.

The process should be facilitated by both ArcelorMittal and the government of Liberia through a Dedicated Funds Committee (DFC) established to manage the fund at the national level and by County Development Management Committees (CDMCs) in each of the beneficiary counties.

In total ArcelorMittal is expected to contribute approximately US$73 million over the 25 years lifespan of the MDA with the government of Liberia. Of this amount, Nimba will receive US$36.5 million, Grand Bassa will receive US$24.3 million and Bong County will receive US$12.2 million. The company confirmed it has released a total of US$13 million as at March 2010.[14] The company remitted US$1 million in 2006 because the government of Liberia briefly suspended the contract during its renegotiation. No payment was made for 2005 because the contract was held up for renegotiation. Of the US$13 million released to date approximately US$4.7 million had been allotted to various projects, as of May 2009.

The President appointed a DFC in May 2008 to manage the fund at the national level. The Minister of Lands, Mines and Energy Chairs the DFC. Other members include the Minister of Finance, the Minister of Planning and Economic Affairs, the Secretariat of the Liberia Reconstruction and Development Committee (LRDC) and ArcelorMittal. The responsibilities of the DFC include: appraising and approving projects proposed by each county; conducting monitoring and evaluation of those projects; and auditing and reporting on the use of the fund. ArcelorMittal holds a 50% approval authority in the DFC and the government retains the remaining 50% approval authority.

The President also appointed three County Development Management Committees (CDMCs) in each of the beneficiary counties. The CDMCs include the Ministry of Internal Affairs, the County Superintendent, and the Legislative Caucus. The Chairman of the Council of Chiefs in each county along with two additional persons named by the President also sits on the CDMC. The CDMC is charged with the overarching responsibility of managing the county allotment of the fund. A Project Manager is hired by the CDMC to coordinate and monitor implementation of the approved projects. The DFC has oversight of the CDMC.

table 1 ArcelorMittal annual contribution to the County Social Development Fund as of March 2010 (in US$)

County	2006	2007	2008	2009	2010	Total contributions	Disbursed to counties	Balance
Nimba	500,000	1,500,000	1,500,000	1,500,000	1,500,000	6,500,000	3,245,130	3,254,870
Grand Bassa	333,300	1,000,000	1,000,000	1,000,000	1,000,000	4,333,300	1,000,000	3,333,300
Bong	166,700	500,000	500,000	500,000	500,000	2,166,700	495,000	1,671,700
Annual Cont.	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000			
Totals						13,000,000	4,740,130	8,259,870

The DFC developed and adopted Terms of References for the DFC and the CDMC.[15] It also developed Guidelines [for] Project Formulation, Approval and Management[16] and a standard Project Application Template for developing projects.[17] The guidelines specifically require each CDMC to ensure that no less than 20% of their county's allocation will be spent annually in communities where ArcelorMittal Liberia operates. This criterion is intended to ensure that communities that are directly affected by the Company's operations benefit from direct investment for sustainable development. It also requires each CDMC to ensure that all projects supported under the County Social Development Fund are sustainable and will have a significant impact on transforming the lives of the beneficiary communities. Festivities and fanfares are explicitly excluded.

2.1.1 Going to waste: an assessment of the projects

In 2007 the government of Liberia, with support from donors, launched a nationwide consultative process to develop a national Poverty Reduction Strategy (PRS). This started with local communities, at the level of the clan, identifying their reconstruction and development priorities, moving up to the level of the district and then the county level. The consolidated list of development priorities for each county is referred to as the County Development Agenda (CDA). The priorities established in the fifteen CDAs are largely incorporated in the PRS.

The DFC approved the first series of projects in early 2009 with a combined value of US$4.7 million.[18] The projects approved for Nimba County were valued at over US$3.2 million. These projects were in the areas of education, health, agriculture, youth and gender development, and roads. Bong County received approximately US$0.5 million for projects focusing on road rehabilitation, sports, and electrification of Gbarnga City. In Grand Bassa County, the projects were in the areas of education, health and roads with a total value of US$1 million.

Following fifteen years of armed conflict, the widespread destruction of infrastructures and the collapse of education, health and other social services, all the projects at first glance appear to be well thought out. In fact they may all appear to fit within the key priorities established in the Poverty Reduction Strategy (PRS) and the County Development Agendas (CDA).

However, a closer review of the CDA reveals that many of the projects are in fact not local priorities but rather priorities established by national and local politicians and elites. The example from Bong County is used to illustrate the failures in the system. As shown in Table 2 below, the county and district priorities were all ignored.

The Bong County Action Plan established in the CDA, which was developed through a broad-based consultative process, was totally ignored during the project formulation. None of the projects put forward by the political leadership of the county was in line with the development aspiration of people in the county; yet they were approved by the DFC.

box 1 Prioritization of development needs

1. The County Development Management Committees (CDMC) shall lead the determination and prioritization of balanced development needs in each county. Although there are no set guidelines on the procedures for prioritization of needs in each county, it is expected that:

   a) Each CDMC will ensure broad-based and grassroots participation, especially with youth, vulnerable groups and women's groups;

   b) The County Development Agenda will be the main basis for determining a county's development priorities. Prioritization will also be done on the basis of needs assessments conducted for this purpose

2. Each CDMC will ensure that not less than 20% of their county's allocation will be spent annually in communities where ArcelorMittal Liberia operates. This criterion is intended to ensure that communities that are directly affected by the company's operations benefit from direct investment for sustainable development.

3. Each CDMC will ensure that all projects supported under the County Social Development Fund are sustainable and will have a significant impact on transforming the lives of the beneficiary communities.

4. The following projects or activities will not qualify for funding from the County Social Development Fund:

   a) County's administrative or operational costs that are not directly related to the implementation of approved projects under the categories specified above

   b) Per diems, honorariums or allowances for members of the CDMCs or Dedicated Funds Committee

   c) Festivals, workshops or other forms of public fanfare that are not part of approved project activities e

   d) All other activities not in line with the County's development priorities

The DFC approved projects that clearly had the objectives of preparing the city of Gbarnga for the July 26, 2009 independence festivities. The approved projects included:

- Road rehabilitation in Gbarnga: US$150,000;
- Renovation of sports stadium in Gbarnga: US$90,000;
- Electrification of the main streets of Gbarnga: US$250,000; and
- Rehabilitation of a fish pond in Gbarnga: US$5,000.

These projects are not in line with the guidelines for project formulation and approval. For example, requirements for sustainability, transparency and public participation in project formulation were evidently disregarded during the appraisal process. Almost all the projects were developed without any meaningful consultations at the local level. All the local officials Global Action on ArcelorMittal (GAAM) mission spoke with claimed the projects were developed based on the priorities established in the PRS and they suggested that no further consultations were necessary. However, none of them indicated there had been any discussion on the individual projects, even though the projects were chosen from priority thematic areas. The officials and elites of each county decided which projects they would propose.

An assessment carried out by GAAM during fact finding missions in July 2009 found widespread apprehension in all three counties about the possibility of mismanagement of the funds in light of how the projects had been developed and approved. For example, communities and civil society members were very critical of the manner in which the CDMC decided on the proposed projects. They were also concerned that some of the projects were not sustainable and did not align with the development priorities identified by the county. Of particular concern to some of these stakeholders is the fact that the CDMC is concentrated in the hands of county elites, some of whom have been named by the General Auditing Commission for corrupt practices involving the management of other public funds belonging to their counties.

These worries are justified. The GAAM fact finding mission, based on numerous meetings with diverse stakeholders, concluded that unless there is a drastic and radical overhaul of the system for managing the funds, counties and communities will not get the expected benefits of the funds. The structures and systems put in place for managing the funds lack the credibility and vision that is needed to ensure these benefits. Considering that the total contribution of ArcelorMittal over the 25-year lifespan of the MDA will amount to US$73 million, it will be a historical mistake if the government does not adequately address the weaknesses in the system in time to ensure that the fund actually contributes to local development.

Contrary to the claims on this signpost, when interviewed on July 14, 2009 by GAAM fact finding mission, local officials and civil society representatives in Gbarnga had no information about this road construction being on the list of the approved projects. There is also no mention of this project on the list of projects approved by the DFC in 2009.

table 2 List of priority projects developed by the two districts directly affected by ArcelorMittal operations in Bong County. These priorities are also reflected in the Bong County Development Action Plan referred to above.

District	Priority	Clan	Town/village	Estimated cost US$	Support from CSDF
Kpai	Road	Kpai	Palala - Zoweinta	25,000	0
	Road	Kpai	Gantayea – Palala	25,000	0
	Road	Zoweinta	Zoweinta – Danyee	25,000	0
	Education	Waytiah	Palala	50,000	0
	Education	Zoweinta	Zoewenta	15,000	0
	Education	Wolota	Fantee	10,000	0
	Health	Wolota	Jorwah	40,000	0
	Health	Waytiah	Palala	25,000	0
Kokoya	Road	Sawahl	Rockcrusher – Waterfall	25,000	0
	Road	Boinwein	Doe - Nagbo - Gonhla	25,000	0
	Road	Bandajepleh	Bandajepleh - Nagbo	25,000	0
	Health	Quekon	Rockcrusher	7,000	0
	Education	Sawahl	Nagbo Town	10,000	0
	Education	Quekon	Doeta	10,000	0
	Education	Quekon	Kpelltaye	10,000	0

Signpost claiming that the Gbarnga - Kokoyah road was constructed using ArcelorMittal funds for CSDF © silas siakor, sdi libeira

2.1.2 Management arrangements and ArcelorMittal Liberia complicity

There is evidence to show complicity on the part of ArcelorMittal Liberia in the squander of the County Social Development Fund. For example, ArcelorMittal Liberia allowed its signpost to be placed at the intersection of the road constructed between Gbarnga and Kokoya, one of the affected regions in the county, even though the company was aware that this was not amongst projects approved by the Dedicated Funds Committee in May 2009. ArcelorMittal Liberia insists that the project was supported by the Bong County allocation. The company states *"the Kokoyah Road Project (supported by the Bong County allocation) reached communities most impacted by our operations in Bong County"*[19]. These conflicting claims raise questions about whether or not ArcelorMittal Liberia and the government are simply trying to cover up the fact that they failed to follow their own guidelines.

ArcelorMittal and the government of Liberia share equal responsibility for the funds. They are both under obligation to ensure that the funds are used wisely and for the benefit of the target populations. ArcelorMittal controls 50% of the decision making vote within the DFC[20] and as such should use this leverage to ensure that the social development funds are not mismanaged. The company states "decisions are made by consensus in the dedicated Funds Committee, which constitutes representatives of the government of Liberia and ArcelorMittal Liberia, in line with the provisions of the MDA, which requires that the funds be managed by the government of Liberia and ArcelorMittal.[21]" The company admits that it is in their best interest to ensure that the funds are managed effectively and as a result, they claim, have invested in strengthening the capacity of project implementation.

"Transparent fund allocation, fair procurement practices and effective project implementation is essential to the success of the County Social Development Fund." **ArcelorMittal Liberia, March 31, 2010**

Contrary to this admission, ArcelorMittal on the other hand argues that they are limited in what they can do because Liberia is a sovereign country. They contend that they cannot tell the government how to manage its affairs. While this argument may appear logical on the face of it, it is seriously flawed because the government knowingly surrendered 50% project approval authority within the DFC to ArcelorMittal. This arrangement demonstrates a shared responsibility for the oversight and management of the funds. Pursuing this rationale, however, suggest that ArcelorMittal is more interested in pleasing the government than actually delivering on its social commitments to communities affected by its operations.

Like the local structures, the DFC is also failing to properly carry out its mandate. The DFC approved projects that did not meet the criteria it established to guide the project approval process. Contrary to these guidelines, the projects that were submitted by the Bong County CDMC and approved by the DFC did not meet these criteria. 100% of the first US$495,000 allotment for Bong County was spent on projects in the provincial capital, Gbarnga, ostensibly to prepare the city for the July 26 2009 Independence Day festivities. No project was approved for the communities affected by ArcelorMittal operations in the county. This includes the communities through which the railway travels and where the rock quarry is located. All of these projects were hastily implemented to coincide with the July 26 Independence Day celebrations and festivities in Gbarnga. Although the project approval was only announced on May 22, by June the CDMC had already recruited the firm to recondition the roads and another one to install transmission poles along the main streets in the city. Within 60 days, the first US$0.5 million had been spent, with little benefit for the citizens of Gbarnga.

For example, no home has benefited from the electrification project in Gbarnga and there is no plan for how the generator acquired for the project will be maintained. There are also reports that the capacity of the generator will not allow for houses and offices within the city to buy power from the electricity corporation. To date, the generator supplies the street lights that were erected for the July 26 festivities and few shops along the main street. It is therefore difficult to see the long-term benefit of the generator without a plan for homes, offices, schools and health centres receiving power from the facility. Additionally, it is difficult to see how the generator will be maintained without an additional infusion of money from the CDF.


RENAISSANCE

'July 26th Money' Backfires

Report Paints Gloomy Image of Bong Officials

A fact finding mission by ArcelorMittal and the Dedicated Funds Committee after the Independence Day festivities revealed widespread malpractices and outright misuse of the funds. Various newspapers, citing a leaked report from the Dedicated Funds Committee, reported on this. This was also confirmed in personal conversations with ArcelorMittal Corporate Social Responsibility officers in Monrovia. Similar concerns also exist in Nimba and Grand Bassa counties. Therefore, not only were the projects badly conceived and some poorly implemented but the management arrangement for the funds needs to be overhauled.

The President of Liberia in her state of the nation address in January 2010 admitted that the implementation of county development projects did not meet expectations and the procedures needed to change.[22] However, her vision for this change is problematic as it seeks to further consolidate control of the funds under the executive branch, which itself is at the centre of the widespread misuse of the funds in the first place. She specifically asked that these development programmes be left solely to the superintendents and local government officials, the same group of executive officials at the centre of the scandals involving the misuse of earlier appropriations.

"...the implementation of the projects in preparation for the Independence celebrations undermined the quality of projects under the ArcelorMittal County Social Development Fund and raises doubts about over the prudent use of said fund." **Renaissance Newspaper, August 21, 2009 citing ArcelorMittal Liberia leaked report about the Bong County Social Development Fund.**

2.1.3 The Dedicated Funds Committee and CDMC: conflicts of interest and questions about integrity

"We have US$5 million, our roads are damaged; we have US$5 million, our schools have no chairs. People are suffering, totting [carrying] people on their heads from the villages to Ganta, or Sanniquellie, or Saclepea for medical treatment; we have explained all these things to the President, but they are playing tricks with the money and we cannot get it to help our people", **Senator Prince Johnson of Nimba County expressing concerns about Nimba's share of the CSDF.**

The management arrangement put in place for the fund is problematic and the chances of mismanagement are very high. Some key actors in the DFC have been criticised and accused of various administrative malpractices by different stakeholders including the General Auditing Commission (GAC). For example, the Chairman of the DFC, the Minister of Lands, Mines and Energy, Eugene Shannon, following an audit of the Ministry was linked to a range of corruption issues.[23] The Ministry of Internal Affairs sits on all the CDMCs, and the Internal Affairs Minister Ambulai Johnson, along with Eugene Shannon, was the subject of a recent high-profile attack by Nimba County Senator Prince Johnson about the withdrawal of US$100,000 from the Nimba County allotment.[24] The GAC also recommended that Minister Ambulai Johnson "be reprimanded"[25] for irregularities in the management of US$1 million that was appropriated by the government for development projects in the fifteen counties of Liberia. US$118,968 was overpaid to a supplier, in contravention of the agreement with the Minister. No supporting documents were available during the audit to support the expenditure of $141,722.

At the county level, perhaps the most controversial group is the Bong County Superintendent and Legislative Caucus. Bong County Superintendent Ranney Jackson is a controversial figure and has been accused of various administrative and financial malpractices. For example, he was accused by Senator Jewel Howard-Taylor of financial malpractices in 2008. He was also suspended based on the findings of an audit conducted by the GAC of Liberia.[26] He was later reinstated and instructed to restitute US$10,000 that he had misapplied from the fund.[27] Bong County officials also came under a range of accusations and criticisms for the poor implementation of the first set of projects funded by the ArcelorMittal social fund.

In addition to the tainted track records of these key government officials, the system itself is badly flawed. There is almost no room for checks and balances at the local levels. Although each county has a Project Management Committee (PMC) to oversee the implementation of development activities in each county, the PMCs in Nimba, Bong and Grand Bassa were neutralised by the President when she appointed parallel County Development Management Committees in these three counties.

box 2 The football stadium that is referred to in this letter was amongst the projects approved by the DFC to the amount of US$90,000 in May 2009. This is despite the fact that the same project was at the centre of US$193,445 scandal in 2008; involving the County Superintendent.

Office of the Senior Senator

THE LIBERIAN SENATE
Capitol Building, Capitol Hill
1000 Monrovia 10, Liberia
West Africa

Chairperson Bong County Legislative Caucus

JHT/SS-BC/HS/053/'08/BL

April 30, 2008

Dear Mr. Minister:

I extend my sincere compliments and best wishes.

I am again constrained to bring to your attention, for urgent redress, emerging critical issues relative to the usage of funds for the Bong County Development Programs for 2007/2008.

It has now been established that the Superintendent of the County, Hon. Ranney B. Jackson, has unilaterally undertaken activities which are wanting in transparency and accountability.

Considering the gravity of the situation, a meeting of County Leaders and other relevant local leaders was convened in Gbarnga over the weekend April 26, 2008. At this meeting, startling revelations were made as to how the Superintendent "awarded" contracts to "companies" for amounts far above the approved allotment for said projects.

For the sake of brevity, let me now succinctly enumerate some of the questionable acts being perpetrated by the Superintendent, without regard for or reference to the authority of the Legislative Caucus of the County.

1. The Superintendent awarded, to a group called Catalyst, a Contract to rehabilitate the Gbarnga Sports Stadium for an amount of $193,445.55. However, the amount approved by all of us, including the very Superintendent, at a meeting of leaders and the citizens at the Gbarnga City Hall, was USD$50,000.00 for fencing the Stadium and nothing more. One is therefore left to wonder as to the source of the Superintendent's authority to singlehandedly allot $143,445.55 of our development money above what was approved by all stakeholders.

2. The Superintendent, with no regard for credibility, probity and integrity, hired Mr. Augustine Kollie as Treasurer of the County Development fund. You may recall that it is this identical Augustine Kollie who previously served as Treasurer of the Fuamah District Development Account which is currently under investigation by the GAC for misappropriation of Development funds. Mr. Minister, what would be the logical rationale for the hiring of such a person to a higher position by the Superintendent. The Caucus, in light of the issues raised, wants Mr. Kollie withdrawn and replaced; by a credible and experienced Accountant who will put into place the necessary system that will ensure accountability and transparency. So as to eschew a recurrence of the Fuamah Development Fund fiasco.

3. The usage of development funds to undertake activities for which said funds were never allotted has now become commonplace based on the whims and caprices of the Superintendent, again, contrary to approved plans of action. Examples of which are:

   - US$5000.00 spent on entertainment and telephone calls in the guise of Sister City Relationship issues that was not budgeted for.
   - The payment of operation funds of over US$7,000.00 to PMC and other County Officials that were neither discussed and which seems to be on the high side.
   - The issue of the signatories to the County Development Account: the Primary Signatory in category A should be the development Superintendent and the County Superintendent as an alternative.

Mr. Minister, we take serious exception to this unacceptable behavior of the Superintendent and call for an immediate action by you to reverse and correct this situation which has now become habitual on the part of Superintendent Jackson.

Mr. Minister, as leaders of Bong County, we will not sit idly by while funds allotted for specific development initiatives are either misused or misdirected by the Superintendent against the decided popular will of our citizens and the rules and regulations of the policy governing the County Development Account. Enough is enough and we request that you act now so that the sole intent and purpose of domiciling Development project funds thru the Ministry of Internal Affairs will not be undermined or abused by Superintendents whose actions are arbitrary and ostensibly imprudent.

Anticipating your timely response hereto, we remain with sentiments of our highest esteem.

Kindest regards.

Sincerely,

Howard Taylor

Jewel Howard Taylor
CHAIRPERSON
Bong County Legislative Caucus

cc: Her Excellency
Madam Ellen Johnson-Sirleaf
President
Republic of Liberia

Members of the Bong County Legislative Caucus

Hon. Ambulai Johnson
Minister of Internal Affairs
Ministry of Internal Affairs
Monrovia, Liberia

NEW DEMOCRAT

Thursday

Towards the achievement of social justice

Juicy County Fund Nets Casualty

Cape Mount County Asst. Development Supt. Sacked

DEMOCRAT

Monday

"Bureaucracy defends the status quo long past the time when the quo has lost its status."

More Rural Funds 'Stolen'

Cape Mount, Gbarpolu New Comers

The PMCs include a diverse group of stakeholders in each county and are selected through open and participatory processes at the grassroots level. The PMCs are also considered representative, although they are challenged by the high level of political interference in their activities. The CDMCs were appointed by the President and operate under the guidance of the County Superintendent. The Minister of Internal Affairs is also represented on the CDMCs, even though the Superintendent works directly under the supervision of the Ministry.

This means the Minister of Internal Affairs, who is reported to be a relative of the President, exercises a significant amount of influence on the use of the funds at both the national and local levels. The Ministry is directly involved in the development, implementation and oversight of projects by the CDMC. This is a classic case of a conflict of interest, and a system destined to fail. It is therefore not surprising that reports about corruption and other forms of malpractice are so widespread in each county.

A rapid assessment in August 2009 of project implementation in each county revealed widespread system failures. This assessment followed a meeting between ArcelorMittal and the GAAM fact finding mission in July when the concerns discussed in this report were first brought to the attention of the company. The online news outlet FrontPageAfrica and other newspapers, citing a leaked report from the ArcelorMittal assessment, reported an alarming level of malpractices and irregularities in the management of the funds by county officials in Bong and Grand Bassa counties.

ArcelorMittal Liberia admits that there were problems with the manner in which the first US$4.7 were allocated for projects. The company claims there is a reform process now in motion, for example, "to streamline decision-making and to ensure full community participation in decision-making and management of development projects"[28]. ArcelorMittal Liberia and the government of Liberia have however failed to make public its assessments of the funds and its plan for reforming the governance and management arrangements for the fund.

2.2 Review of ArcelorMittal's engagement with communities, and their environmental, social, labour and human rights record

2.2.1 Nimba County

The government of Liberia and Lamco relocated the original inhabitants of Yekepa to Barpa and New Yekepa Town in the 1960s. Each household was paid US$100 in compensation. No other support was provided for the community. The villagers had to build their own houses in the new locations. The justification for relocation was to prevent the community from being endangered by mining operations. However, the company used part of the freed land to develop its compound that is now used by ArcelorMittal staff.

In the village of Barpa, located just outside of the ArcelorMittal Yekepa compound, the community has learned about the CSDF only via the radio. The community is aware of the entire CSDF yearly amount and the size of the allocation for Nimba County. However, despite its proximity to Yekepa, the community has not been directly informed about or invited for meetings to consult the CSDF priorities for the county. Furthermore, as the community is classified as 'directly affected by ArcelorMittal operations' it should also be consulted about its own community-specific development priorities. According to the community members, this has also not happened.

The community so far has not had official contact with ArcelorMittal. Nothing has been done by ArcelorMittal to inform or assist the community since signing the concession. In fact, the people of Barpa were not consulted or informed about ArcelorMittal taking over the old Lamco mines.

The health facility operated by ArcelorMittal in Yekepa is accessible for villagers from Barpa only if they pay for consultations, but these are too expensive for community members to afford. The company on the other hand argues that the fees that are charged are comparable to those paid at local health facilities. The company charge $25 and $75 Liberian dollars for registration and lab respectively, and


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Dahn Wants Nimba Project Management C'ttee Dissolved

drugs are sold at subsidised rates. No other health facility is located within the immediate area to serve local people.

According to the MDA, ArcelorMittal is obliged to 'construct, maintain and operate health facilities in the Concession Area with modern equipment and with internationally accepted procedures and standards.' ArcelorMittal claims that the facility currently operated in Yekepa satisfies this condition. When the GAAM fact finding mission visited county officials in Sanniquellie, the facility did not represent the required standards despite being referred to as hospital by ArcelorMittal. Even though this disagreement was primarily between ArcelorMittal Liberia and health authorities in the county, the state of the facility had negative consequences for local communities. ArcelorMittal Liberia claims this situation has now been addressed.

Schools operated by ArcelorMittal in Yekepa charge US$50 per year for high school, US$25 for junior high school and US$20 per year for elementary school attendance. ArcelorMittal Liberia argues that these fees are comparable with those paid at other schools in the area and that it is under no obligation to provide free education to all children in the area.

As the ArcelorMittal Liberia schools offer better education levels than public schools they are the preferred choice of parents. However, the people of Barpa are subsistence farmers, and for many, sending their children to these schools is beyond their financial means. The company health and education facilities are free of charge for company workers, but as no-one from Barpa is employed by the company they cannot benefit from these services. This also defeats the whole purpose of corporate social responsibility claims of ArcelorMittal and keeping communities out of the basic benefits of health and education is eventually going to lead to local resentment.

The town Chief of New Yekepa Town, like the people in Barpa, also learned about the CSDF and ArcelorMittal investments through the radio. As a Chief he attends various meetings in Sanniquellie, the county capital, but did not receive a detailed briefing about the CSDF during any of the meetings he attended. He questions the government's capacity to deliver the funds to the communities or implement the priority projects. He wrote a letter to ArcelorMittal in 2007 requesting community assistance, but at the time of being interviewed had received no reply. According to him, Lamco acted in a similar way - making promises to communities that were never fulfilled. The Chief expressed the need for ArcelorMittal to engage with the community directly to gain its support and to help solve the community problems. So far the company has taken decisions without consulting the community, as in the case of closing the shortest access road to the border with Guinea without giving proper justification. Similar to Barpa, the priority needs for the community are affordable and accessible health care and education, road improvements, and employment.

Due to the high unemployment levels in the area, some young people are engaged in digging scrap metals from a former Lamco dumpsite located almost within the town premises. This is conducted in dangerous conditions, as the diggers work in deep pits without any safety measures. A number of accidents have already occurred, with people being injured by collapsing pit walls. Scrap is collected on a nearby site and moved to Monrovia or to neighbouring Guinea. Diggers make up to $2 per day. As the scrapyard is located within the ArcelorMittal concession area, the company's security prevents the locals from digging up the scrap. This is causing conflict, as people have been doing scrap metal collection for years, which is their only means of income. According to the local people, most of the current employees of the company are from Monrovia and other towns and not from Yekepa.

ArcelorMittal could arrange for rehabilitation of the dumpsite area, not only because of its proximity to people's houses but also to show its commitment to a clean environment and to provide employment for local people using the company's engineering and safety know-how. ArcelorMittal could also use this opportunity to 'provide training for Liberian citizens for skilled, technical, administrative and managerial positions' as it is committed to by the MDA.


Scrap diggers
© darek urbaniak, foe europe

Meeting with the Nimba County officials in Sanniquellie provided additional insights as to the engagement of the company with the communities so far. The GAAM mission was informed that the ArcelorMittal Community Liaison Officer was not from the county, and had a limited understanding of the local culture and, to some extent, a language barrier. This fact proved to be especially important during negotiations with the communities for the relocation of sacred sites for mining operations. The discussion on relocation focused on the question about whether to maintain the sacred site or to accept financial compensation from the company and relocate. The communities tend to accept financial compensation for relocation, however, the designation of new sites and the conduct of the relocations still needs to be agreed. During a meeting between GAAM and ArcelorMittal on 13 July 2009 in Yekepa the company confirmed that the relocation plan for sacred sites in areas where mining will occur was not available. The company expected that such plans should be provided by the interested communities – a quite different point of view than that of the communities.

GAAM believes that ArcelorMittal should take leaderships in preparing the relocation plans together with the communities well in advance of implementing mining activities. Otherwise, this sensitive issue could be a potential point for conflict.

Despite pledges from the company, GAAM also considers that resettlement of people and households could result in long-lasting community resentment, if not accompanied by additional support for the relocated communities. Relying only on World Bank/ IFC standards may not prove sufficient due to local conditions and experiences. The case of communities resettled by Lamco and left without close access to fresh water and other support should not be repeated by ArcelorMittal. As indicated by the company, the resettlement plans for the mining areas will be submitted to the Environmental Protection Agency of Liberia. These, according to the company, will propose moving several hundred people and compensating people for damaged crops whether or not they have the title to the land. GAAM expects that these plans will also be made public before being implemented. GAAM also expects the company to define together with the communities the clear and understandable conditions for a person to qualify for compensation to avoid disputes within the communities.

Outlining of these conditions could also help Nimba County to define the Directly Affected Communities, which according to the MDA are entitled to receive 20% of the county's share of the CSDF.

"...it was clear from the reviews of payment requests, copies of signed checks and other documents that the County Superintendent was actually managing the Secretariat of the CDMC and taking all decisions unilaterally or in consultations with one or two legislators or Government officials".

FrontPageAfrica citing the ArcelorMittal and DFC report from their assessment in Grand Bassa, September 27, 2009

2.2.2 Bong County

According to local civil society organisations (CSOs) that GAAM met in Gbarnga, the capital of Bong County, despite an earlier agreement that 20% of the funds were to be used by Kokoyah and Kpai Districts (the Directly Affected Communities), the money was already completely allotted for projects in the county's capital.

The CSOs indicated that specific projects for these communities were presented during a meeting in the Pastoral Centre with ArcelorMittal Liberia CEO Joe Matthews and stakeholders from Bassa, Bong and Nimba counties in June 2009. The projects included road improvements for communities located along the railway and next to the quarry used by the company for material production for the railroad rehabilitation. No other details are available about the implementation of these projects.

The little available information about the CSDF results in citizens being confused about the difference between the national CDF and the ArcelorMittal funded CSDF. This leaves room for confusion and manipulation. Some local politicians believe that the CDF and the CSDF come from the same pot of money, while others attempt to claim credit for the CSDF projects, as one of the local caucus members did for the road rehabilitation. The evaluation of the county's CSDF conducted by ArcelorMittal in August 2009 only proved that manipulation takes place as assessed projects were mismanaged by the officials in charge.

The CSOs indicated that the ArcelorMittal is carrying out its own development projects in the Affected Communities. This includes building a market in Kokoya by the railroad crossing.

The CSOs welcome that but would like to see the company even more directly involved in the projects oversight as they fear that the county's decision making structures do not provide clarity and transparency. Women's groups are not even represented in the process of project identification and consequently the projects selected do not respond to the challenges faced by women.

CSOs indicated that they would take the lead on awareness-raising about ArcelorMittal's CSDF and other projects, if invited and treated as a serious stakeholder in the process

2.2.3 Grand Bassa County

The town of Buchanan in Grand Bassa County hosts the port and facilities needed to ship the iron ore out of Liberia. This is also the end stop of the railroad from Yekepa that will be used to deliver the iron ore from the mines to the port. ArcelorMittal has its main office here.

The local citizens groups indicated to GAAM that although the CSDF funds for the county have been already allocated, input from the citizens was not gathered in any form of consultation. The community is also not involved in management of the funds and is not aware of who is accountable, or to whom they can bring their issues and complaints.

When ArcelorMittal fenced off its estate in Buchanan to protect the heavy equipment, the company also obstructed access to the town and market for the residents of Barcoline village, extending the traveling time from the village to Buchanan to two hours each way. A woman delivered her baby on the road because she couldn't get to the heath facility in Buchanan on time. The fence was constructed without informing or discussing the issue with the community. ArcelorMittal Liberia justifies its actions as being in the best interest of public safety.

The company could amend its policy and allow for controlled crossing of its property as Lamco did previously. This is especially important as there is no health facility in the village and many people cannot afford to pay for transport; it is also much more difficult now for the locals to bring goods to and from the market in Buchanan.

The local communities are also dissatisfied with the services provided by the ArcelorMittal-run health facility in Buchanan. According to the MDA, such a facility should follow international standards and be furnished with modern equipment. The facility is located in buildings developed by Lamco to host the previous hospital. Currently, there are no overnight beds provided, the X-ray machine has been removed and the health services occupy only half of the former hospital area with the remaining part of the building turned into company offices. At best it is an outpatient clinic providing services to the company workforce, but not for the community. The other health care facility run by the company is available to its expatriate work force only.

Responding to these allegations and criticisms, ArcelorMittal Liberia states "the Buchanan facility is classed as a 'Health Clinic' by the Ministry of Health. It has a male ward of four beds and a female/ child ward of four beds. Patients needing to stay overnight use these wards. The X-ray machine is still located in the Health Centre and is also used by the government hospital on occasion."

The company also managed the reconstruction work of the railroad from Buchanan to Yekepa. The company implemented a work plan that divided work on the railroad among workers from 35 communities located along the length of the track. The majority of the work on the railroad was conducted by a subcontractor – Brazilian multinational company Odebrecht. Serious labour issues have been reported to GAAM by former employees, such as obligatory 12 hour workdays with 1 hour of unpaid lunch. US$0.38/ hr. of overtime was paid for the unskilled workforce while regular workers overtime was calculated at US$0.58/ hr. This remuneration level for such effort and length of work under local climatic conditions is inadequate.

ArcelorMittal information board near company facilities in Buchanan in Grand Bassa County. © darek urbaniak, foe europe

Pick up truck used by CSDF Project Manager in Grand Bassa © darek urbaniak, foe europe

Only one hour of safety training was provided to workers beforehand, resulting in workers not following health and safety instructions. Workers would quite often remove their safety gear and expose themselves to the chemicals used to spray the sleepers. In some cases only those workers directly applying chemicals were provided with protective gear, while fumes from the chemicals would affect all working in the vicinity. According to the workers reports, at one time supervisors brought Vaseline to 'treat' affected workers. In general, the subcontractor held the employees responsible for their injuries.

When these allegations were presented to the company, the company confirmed that indeed Vaseline was used when handling creosote-impregnated timber sleepers. They also claimed that all work related accidents were investigated, lessons learned and corrective action taken as appropriate. The company promises that it will make contractual obligations for its suppliers and contractors to provide safe working conditions and to remunerate workers in accordance with market rates. It is left to be seen the extent to which the company will live up to these promises.

While developing its Buchanan workforce, ArcelorMittal also hired a number of people from outside of the county, claiming that there were an insufficient number of qualified workers available locally. This creates resentment within the community, as people were expecting the company to train locals before hiring outsiders. According to the local officials, the county tried to encourage the company to reopen and operate the vocational training centre run by Lamco. ArcelorMittal's response to this inquiry was that training provision was beyond the scope of its obligations in Liberia. When these allegations were put to the company they rejected them. The company claimed that it is currently negotiating with the Liberian Ministry of Education to develop vocational training for Liberians and that they are also currently in discussion with entities that could deliver this training.

Beyond a doubt, the current level of education and health services that ArcelorMittal is providing for local communities within the concession area is below international standards. On a number of occasions the GAAM mission was informed that the justification most often provided by ArcelorMittal for scaling down or delaying its health care or educational obligations was that this was a result of the financial crisis and the rescheduling of company operations in Liberia.

Unlike the majority of communities in Liberia, GAAM has access to ArcelorMittal's website, which provides information about the current status of its project in Liberia. The site informs that among the measures 'to protect the long-term needs and interests of the company and its employees, ArcelorMittal is implementing a cautious programme of cutbacks and slowdowns that will allow the company to survive the global economic crisis and remain a dynamic and innovative actor in the sector and contributor to Liberia's development.'

The company is:

'Adhering to our contractual obligations during the slow-down period, particularly in terms of social programmes and institutional support. ArcelorMittal will continue to support healthcare and education facilities within its counties of operation to serve its workforce and the local communities.[29]

If ArcelorMittal wants to really contribute to Liberia's social and institutional development it has to do so by fully accomplishing its obligations under the MDA on the ground in Liberia and not on its corporate website.

2.2.4 Environmental issues

Under the MDA, ArcelorMittal is obliged to 'conduct its operations in accordance with the environmental protection and management law of the Republic and undertake regular environmental audit and assessment.'

In these terms the main challenge the company faces is to properly conduct, release and implement the Environmental Impact Assessment (EIA) for its mining operations.

According to the company, the EIA for mining activities will not be released before August 2010. Terms of Reference for additional studies were supposed to be ready by December 2009, by which time the company also expected to have developed a comprehensive management plan. ArcelorMittal expects to receive a complete environmental permit by December 2010.

As the planned ArcelorMittal mines are located within close proximity to the Mount Nimba Strict Nature Reserve and World Heritage Site, it is imperative to know how the company will implement its operations without any disturbance of the site.

During the meeting with the company, GAAM also raised the issue of the East Nimba Nature Reserve that is partially located within the company concession. According to Liberia's Environmental Protection Agency (EPA), mining in the reserve is excluded under Liberia's law and the company will not be able to receive a permit to mine the reserve.

As well as these EPA assurances, GAAM has asked ArcelorMittal to return this area to the Liberian state, as it will not be able to operate there due to its protection status. In the response, ArcelorMittal stated that if the company were to do so it would need additional guarantees from the government that the area will not be given to another mining company. ArcelorMittal Liberia argues that the area is best protected if it stays within the company concession. In a letter to Sustainable Development Institute/ Friends of the Earth Liberia, a member of GAAM, ArcelorMittal Liberia restated these arguments and emphatically stated that they "have no intention of mining there".

Since no other form of guarantees for maintenance of the East Nimba Nature Reserve status were given by ArcelorMittal, the GAAM would call on the company to elaborate, publicise and implement a legally binding agreement with the Government that will ensure integrity and maintenance of the status of the area for the entire period of the 25 years mining concession. This will prove ArcelorMittal's commitment to protecting the area. If ArcelorMittal is not willing to develop such agreement, it should return this area to the Liberian state.

ArcelorMittal should also ensure protection of the national forest (an area with high biological diversity) located within the concession near Tokadeh mine. The company indicated its intention to protect the area during the meeting with GAAM.

According to the EPA, ArcelorMittal has so far been submitting all required documentation on time. The company also provides periodic self-monitoring reports. These are not standard for the EPA's environmental monitoring process but were agreed upon by the EPA and the company. According to the EPA, the Agency has to quite often rely on self-reporting and monitoring as it has capacity problems, being significantly understaffed.

An example of such a situation occurred during railroad reconstruction when a subcontractor mismanaged part of the work and a number of chemically treated sleepers fell into the stream. The subcontractor did not report the incident to the EPA, while the EPA relied on self-monitoring. The EPA only learned about the event considerably later and was not able to fully analyse the water quality indicators as it does not have the technical means.

During railroad reconstruction the EPA was also not able to monitor the conditions in which chemicals were applied to treat the sleepers and plants. A number of cases reported by former employees indicated that contamination of stream water used by communities for drinking occurred on several occasions, while animals grazing on the track were affected by herbicide.

Not only were the environmental, health and safety standards not followed by the subcontractors on a number of occasions while rebuilding the railroad, but also the communities were not properly informed about potential health risks associated with these activities.

In the light of the EPA's and local health services lack of capacity to deal with these issues GAAM will call on ArcelorMittal to introduce stricter procedures for its own and its subcontractor's operations in terms of their health and environmental impact. Such an initiative will establish a good precedent for other mining companies and will also encourage development of higher standards by local agencies and authorities.

GAAM is very seriously concerned with the lack of EPA capacity to monitor the iron ore investments in Liberia. This problem will only increase when ArcelorMittal and other companies start full operations. The EPA has also indicated to GAAM that it lacks well-developed standards for monitoring of certain activities not to mention the tools to conduct this monitoring. This issue needs to be urgently addressed by the government of Liberia.

Road market, Nimba County © darek urbaniak, foe europe

box 2 GAAM recommendations for ArcelorMittal's engagement with communities, and their environmental, social, labour and human rights record:

Ensure full achievement of the MDA obligations to:

1. Construct, maintain and operate health facilities in the concession area using modern equipment and procedures with accepted international standards.
2. Provide training to Liberian citizens for skilled, technical, administrative and managerial positions.
3. Conduct its operations in accordance with the environmental protection and management law of the Republic and undertake regular environmental audits and assessments.
4. Regarding East Nimba Nature Reserve status – elaborate, publicise and implement a legally binding agreement with the government that will ensure integrity and maintenance of the status of the area for the entire period of the 25-year mining concession or return the area to the Liberian state. If ArcelorMittal is not willing to develop such agreement, it should return this area to the Liberian state.

Within these obligations:

1. Establish a Public Information Unit to improve the quality of information and to provide permanent access to information for communities.
2. Improve the consultation process with communities and involve local civil society.
3. Use stand-by time to reach out to communities, and meet and inform them about the process of the CSDF and company plans.
4. Improve the existing health facilities up to international standards.
5. Scale up existing training schemes to local communities to provide training for more local people.
6. Provide clear relocation and compensation plans and arrange additional services for the relocated communities.
7. Urgently solve the scrap digging issue within its concession area in Yekepa.
8. Allow for controlled crossing of its property in Buchanan.
9. Ensure stricter control of subcontractors in terms of employment, health and environmental impact.
10. As short term employment does not provide security, establish a plan for employees to reach secure long term employment prospects.
11. Ensure that all required environmental and social impact assessment studies and plans are prepared according to highest international standards and publicly accessible for local and international audiences.
12. Ensure protection of the national forest located near Tokadeh mine.
13. Ensure that that there is no impact on the World Heritage Site of Mount Nimba Strict Nature Reserve.

Iron ore, rock Tokadeh Mine, Nimba County © darek urbaniak, foe europe

2.3 Assessment of ArcelorMittal's compliance with OECD Guidelines for Multinational Enterprises

In August 2008 ArcellorMittal 'donated' 100 pick-up trucks to the government of Liberia. According to the company, the donation of the vehicles was in direct response to an appeal from the President of Liberia for vehicles to support agricultural activities in rural areas. ArcelorMittal also indicated that there was an understanding with the government that the Ministry of Internal Affairs would ensure the proper use and monitoring of the vehicles. However, upon arrival the vehicles were assigned to legislators instead of the Ministry of Agriculture. Virtually all the legislators (except two Senators) are using the vehicles in Monrovia and not for agricultural activities in their constituencies. For example, of the fifteen pick-ups that were given to legislators from Grand Bassa, Gbarpolu and Rivercess counties, only one of the pick-ups is actually being used by the Agriculture Officer in Grand Bassa County. During the GAAM fact finding mission, it was confirmed that almost all of the vehicles are being used by members of the Liberian parliament and not for agricultural purposes.

We have assessed if this donation – and other aspects of ArcelorMittal's performance – is in line with the OECD Guidelines for Multinational Enterprises. These guidelines are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises.[30]

Corruption remains major problem in Liberia © silas siakor, sdi liberia

Assessment of ArcelorMittal's compliance with the OECD guidelines conducted by GAAM members reveals the following:

1. **ArcelorMittal is not adhering to two (2) of the General Policies of the guidelines that call on enterprises to take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders.**

   Specifically, with regard to **Article 7 of the General Policies** that calls on the enterprises to: "Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate." GAAM believes that the company's current performance in relation to society is not adequate to result in confidence and mutual trust. Section 1 and 2 of this report clearly illustrate that:

   • the County Social Development Fund that is established and governed by the government of Liberia and ArcelorMittal is failing to address the needs of communities impacted by the operations of ArcelorMittal

   • ArcelorMittal is not properly informing some of the neighbouring communities about its operations and the possible impacts on these communities.

   With regard to **Article 11 of the General Policies** that requests the enterprises to "Abstain from any improper involvement in local political activities" GAAM and other civil society organisations such as Global Witness have already stated that the donation of 100 pick-up trucks to the government of Liberia – allegedly to support agricultural activities across the country - is viewed as the company's direct involvement in local politics. ArcelorMittal must be aware that in a country with high corruption, such donations might easily end up in the wrong hands. This is what actually happened. Despite the fact that the President of Liberia requested the pick-up trucks for agricultural purposes, they mostly ended up in the hands of legislators. ArcelorMittal did not undertake effective steps to correct this. The result was that ArcelorMittal's donation ended up in the hands of decision makers that will have to deal with future decisions regarding the companies' investments in Liberia. This is unacceptable and an obvious violation of the OECD guidelines.

2. **The donation of 100 pick-up trucks by the company to the government of Liberia also breaches one (1) of the articles of Combating Bribery section of the guidelines.**

   The section states that "enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage."

   Specifically, with regard to **Article 1 of the Combating Bribery** section that calls on the enterprises to "Not offer, nor give in to demands, to pay public officials or the employees of business partners any portion of a contract payment. They should not use subcontracts, purchase orders or consulting agreements as means of channeling payments to public officials, to employees of business partners or to their relatives or business associates."

   GAAM believes that the company donated 100 pick-up trucks to the government as a direct response to a demand for such a donation expressed by the President. These trucks ended up in the hands of decision makers that in the future will have to decide on issues regarding ArcelorMittal's investments in Liberia. As such, this act of ArcelorMittal can be viewed as **giving in to demands, to pay public officials** (Article 1, Combating Bribery) as well as an **improper involvement in political activities** (Article 11, General Policies) in order to retain business.

   ArcelorMittal in a letter to GAAM dated February 18, 2009 has confirmed that the 'donation' of the vehicles was in direct response to an appeal from the President of Liberia. In the same letter ArcelorMittal indicated that there was an understanding with the government that the ministry of Internal Affairs would ensure the proper use and monitoring of the vehicles. Further on, ArcelorMittal says, the 100 pick-up trucks were donated to the government of Liberia to support agricultural activities across the country.[31]

   In a letter to Lakshmi Mittal from May 7 2009[32], in which GAAM requested clarification of the "donation" issue, GAAM stated that "it is not right for ArcelorMittal to put the full responsibility for proper use of the pick-ups on the Liberian government". This call for the company to act on this issue was repeated again by GAAM in another letter sent to ArcelorMittal on March 12, 2010.[33]

   In response (letter from ArcelorMittal, March 31, 2010) the company stated that "The vehicles are at the disposal of the Liberian Government and their use is monitored and enforced by the General Services Agency."[34]

As of May 2010, almost 2 years after donating the vehicles to – in fact – Liberian politicians instead of the Liberian government to be used for agricultural purposes, ArcelorMittal has refrained from taking any action to undue this improper act.

GAAM views this inaction on the company side as a lack of willingness to demonstrate respect for high standards of business conduct.

The OECD Guidelines state that today's competitive forces are intense and multinational enterprises face a variety of legal, social and regulatory settings. In this context, according to the OECD, some enterprises may be tempted to neglect appropriate standards and principles of conduct in an attempt to gain undue competitive advantage.

Donation of vehicles to severe private needs of Liberia's politicians and the inaction to solve this issue on the company side places ArcelorMittal within this group of enterprises.

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CDA The County Development Agenda is the county-specific element of the Poverty Reduction Strategy of the government of Liberia. It lists the key development priorities of each county. The CDA was developed through an elaborate and expensive participatory process following the induction of the current government.

CDMC The County Development Management Committee was appointed by the President to lead implementation of projects funded from the County Social Development Fund at the level of the county. The CDMC includes the County Legislative Caucus, the Superintendent, the Minister of Internal Affairs, a representative of the County Council of Chiefs and two individuals. The CDMC recruits a Project Manager to monitor project implementation.

CSDF The County Social Development Fund was established in fulfillment of Article 12 of the Mineral Development Agreement between the government of Liberia and ArcelorMittal Liberia. The fund holds a US$3 million annual contribution by ArcelorMittal Liberia for development projects exclusively in counties affected by its operations.

CDF The County Development Fund is budgetary appropriations to counties for implementation of elements of the County Development Agendas. In the 2005/ 2006 fiscal budget US$1 million was appropriated for the CDF. The Ministry of Internal Affairs oversees the use of the CDF.

DFC The Dedicated Funds Committee established by the President to oversee the CSDF. The DFC includes the Ministry of Lands, Mines and Energy (Chair); the Ministry of Finance; the Ministry of Planning and Economic Affairs; the Liberia Reconstruction and Development Committee (LRDC) and ArcelorMittal. ArcelorMittal controls a 50% approving authority for all disbursements from the CSDF.

GAC The General Auditing Commission of the government of Liberia conducts state commissioned audits of public expenditures.

LRDC The Liberia Reconstruction and Development Committee was created to coordinate post-conflict reconstruction efforts in Liberia.

PRS The Poverty Reduction Strategy was developed in 2007 to provide a national framework for the economic recovery and reconstruction of Liberia.

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