LIBERIA: POVERTY IN THE MIDST OF PLENTY

HOW POST-WAR IRON ORE MINING IS FAILING TO MEET LOCAL PEOPLE'S EXPECTATIONS

IRON ORE

REPORT | 2014

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contents

sustainable development institute

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POVERTY IN THE MIDST OF PLENTY

Liberia is a country looking to attract Foreign Direct Investment (FDI) as a means of securing greater economic benefits for its citizens and addressing the high unemployment rates among its youthful population. The Liberian civil war, which officially ended in 2003, destroyed most of the infrastructure and crippled the country's economy. It also brought about massive communal reshuffling wherein traditional systems of social cohesion were greatly strained. Bonds of trust between citizens and institutions of the state were nearly destroyed. These stark realities place issues of community rights, corporate social obligations, government accountability, environmental sustainability, and job creation at the center of establishing and maintaining a viable Liberian state with a functional system of public order. Liberia's 2008 Poverty Reduction Strategy is therefore not only concerned with the creation of a better livelihood for the greater part of the population, but is in essence concerned with reconstructing the society from its very core.

The iron ore mining sector could play a role in pulling Liberia out of crippling poverty. During the pre-war periods of high economic growth, iron ore mining was a prominent source of income and financing for Liberia's development agenda. During the 1970s and 80s iron ore shipments accounted for half of Liberia's export income.[1] But, in the post war context, iron ore mining is failing on many accounts to meet the high standard that was set by the Liberian-American Swedish Minerals Company (LAMCO) and Bong Mining Company (BMC).

Liberians in most communities happily welcome investors that can bring about jobs and educational opportunities. Mining rights to six iron ore concessions have been signed since the end of Liberia's civil war, producing an estimated $13 billion[i] in investment values.[2] The scale of investment capital flowing into the mining sector is significant. For example ArcelorMittal pledged to invest $1.5 billion and the social contributions made by all companies to the counties since 2006 amounts to more than $50 million; mining companies have contributed more than $40 million.[ii] These figures demonstrate that the iron ore mining sector, managed properly, could contribute to economic development in Liberia.

Sadly, concession sites especially in mining and agriculture concession areas have been mired in with abuses of workers, poor working conditions, and conflicts over land.[3] In the past the mining sector performed better than other sectors in its ability to produce some development benefits for communities. The host communities in the area now covered by the China Union concession fondly remember BMC that operated the concession in the past.[4]

This report reviews the situation in Liberia's mining sector, with specific focus on the relationships between mining companies and host communities, and the unfavorable business model the state has chosen for this valuable national asset. It particularly highlights the views of local populations in an effort to help the companies understand the feelings and expectations of the local populations. It concludes that the tensions and conflicts between mining companies and local populations need to be addressed with urgency and advances several recommendations towards this end.

footnotes

i All monetary figures in this report are expressed in United States Dollars.
ii These figures are sourced from the Ministry of Internal Affairs, "Analysis on County Social Development Contribution, Distribution Disbursement from the period of 2005-2014," 2014. (Henceforth cited as MIA CDF/CSDF Factsheet). These figures cover contributions from ArcelorMittal, China Union, BHP Billiton, Putu Iron Ore Mining and Western Cluster.

METHODOLOGY

The Sustainable Development Institute (SDI) conducted extensive and periodic field research and interviews with project affected[iii] and host communities[iv] over the course of one year in the ArcelorMittal, China Union, and Putu Iron Ore Mining (or Putu) concessions. These particular concessions levy more investment dollars than any other concessions in Liberia, and they are the only companies that have started operations in the iron ore mining sector. ArcelorMittal and China Union have begun shipping iron ore. In 2013, Liberia's iron ore export was worth at least $600 million. This rose to more than $1 billion dollars by August 2014.

This report is a culmination of fieldwork and analysis of policy documents from a myriad of sources, including data from concessions not visited such as the iron ore mining giant Western Cluster. Comprehensive information on Liberia's post-war mining sector is still sparse. This report will provide valuable updates and contribute to the body of knowledge on FDI and resource extraction based development in Liberia.

footnotes

iii Communities that are impacted by the operations of a mining company even though they are not situated within the immediate vicinity of the mining site.
iv Communities hosting the mining operation and main installations of a mining company.

SUMMARY OF KEY FINDINGS

Despite the potential for economic gains, there are practical challenges to getting full value from the mining sector. The Africa Progress Panel has stated that Liberia gives generous tax concessions in the iron ore sector that undercut the Liberian Revenue Code. Also, because the government seems unable to track what extractive industries should pay in taxes, it is possible that the revenue it receives is considerably less than the actual amounts owed. In order for a development model based on attracting FDI and exporting raw materials to create impactful economic growth, the government must implement a comprehensive strategy that seeks to extract maximum taxes and other benefits from the iron ore mining sector.

Effective monitoring and oversight is lacking in the iron ore mining sector. According to the Liberia Extractive Industries Transparency Initiative (LEITI), the Liberian government relies heavily on figures provided by mining companies regarding calculations of revenue owed. Very little information reported from mining companies is independently verified. The implementation of obligations in the Mineral Development Agreements (MDAs) is not sufficiently checked by government entities, as many companies have continually violated aspects of their agreements.

While host communities look forward to development benefits brought about by iron ore mining concessions, relations between them and mining companies have generally become worse. There is a troubling trend whereby relationships between communities and concession companies deteriorate as the mining sites become fully operational. Residents of host communities have iterated that they have received very few developmental benefits from mining. As the environmental impacts become more severe and communities lose access to farmland and crops, the absence of noticeable development in their areas creates intense resentment towards the government and the mining companies. In the China Union, ArcelorMittal and Putu concession sites anger has resulted in demonstrations and a violent reaction from the state.

As mining operations intensify and companies begin extracting and exporting raw materials, concerns about development benefits have intensified. While in the past communities paid little attention to natural resources leaving their backyards, today they seem less inclined to allow it. Communities are increasingly agitated by the site of their natural resources being carted away with little benefits left behind.

There are several obligations related to employment that remain unfulfilled or partially fulfilled. Many Liberians in project affected and host communities are angry that companies refuse to provide permanent employment for unskilled jobs, instead choosing to hire Liberians as contract laborers. These labor practices subvert aspects of the MDAs that require the provision of employee benefits. Employment obligations typically include adequate housing for workers and their families, free health facilities, and access to training. Rights to collective organization, full education benefits, and healthcare are impacted by the contract labor in the sector.

China Union, ArcelorMittal and Putu have mixed results in meeting their obligations related to infrastructural development; many are either poorly executed or not executed at all. A notable example of this is China Union's failure to revitalize the Bong Mines railroad from Fuamah District to the Freeport of Monrovia. China Union is obliged to complete the railroad within five years of the signing date of its MDA. Since the company is shipping ore via the dilapidated railroad, it is possible that it may not fulfill that obligation.

A major factor that contributes to the proliferation of protests and demonstrations is the lack of engagement with citizens in affected areas. There is a general lack of communication between the companies and the communities. In Nimba, one citizen advocacy group that pressed for ArcelorMital to fulfill obligations in its MDA did have constructive engagement for a period with the company and the Government of Liberia; however this engagement ended when the Superintendent refused to honor promises to meet with the group. Leaders of the same group were later detained under a direct order from the County's Superintendent following a demonstration.

Governmental authorities often act as informal liaisons between aggrieved locals and mining companies; however, they, intentionally or otherwise, tend to suppress citizen demands that companies fulfill obligations. Representatives are often caught off-guard by sweltering anger within host communities and respond to manifestations of that anger with force and intimidation. The cycle of mistrust between government entities and the communities they represent is taking an increasingly volatile and violent turn in the China Union and ArcelorMittal concessions, the two iron ore mining concessions that have been operational the longest since the end of the civil war.

Poor community relations, militarization and heavy-handed policing tactics in concession areas, threatens stability in mining regions and could spill over in other areas. The Liberian government has engaged in a pattern of deploying highly aggressive and militaristic police units to concession areas in response to public displays of discontent. The ArcelorMittal concession area, for example, has undergone a rapid increase in expressions of community dissatisfaction with the company and with authorities. At least two public demonstrations disrupted the company's operations in 2014.

Mining companies could do more to improve their relationships with project affected and host communities. The relative calm and peaceful-coexistence that Putu enjoys with its host communities does suggest that it is possible to have an amicable relationship with communities. Putu will do well to strengthen its engagement with the project affected and host communities.

While companies pay social contributions to the Government of Liberia, project affected and host communities do not always feel the impact of these payments. The MDAs often lay out how the money is to be dispersed; furthermore, in the case of Putu and Western Custer, the MDA specifically states that project affected and host communities are to receive the majority of the payments. In the Putu concession area project affected and host communities have not received most of the company's social contribution. Although the Liberian Government is responsible for managing the contribution, the companies are legally responsible for following the stipulations in the MDAs.

The most frequent frustration expressed by communities in concession areas is directed towards government officials regarding the social contributions paid by companies to offset the impacts of their operations. An in-depth desk review of the documents produced by the County Councils, the bodies responsible for allocating these social contributions, confirms that these payments are being mismanaged and abused. The mismanagement of social contributions, particularly at the county and legislative levels, demonstrate that economic investment from foreign companies will not lift most Liberians out of poverty if the status quo is maintained.

The mismanagement of social contributions paid by iron ore mining companies undermines the very core of the country's natural resource based development strategy. The social contributions are the most consistent, visible and traceable contributions to Liberia's population from mining. While mining companies have made investments in infrastructure, these investments are largely in place to initiate and sustain mining operations.

County Social Development Fund (CSDF) payments have the potential to directly and immediately improve the lives of tens of thousands of Liberians. Social contributions arguably have more potential for development of mining affected communities than all other forms of taxation in the mining sector, as social contributions are to be invested directly into impacted areas.

Policy documents relating to the social development funds that should be available to the public are not accessible for most citizens. SDI field operatives routinely ran into opposition while trying to obtain documents related to the funds. The Ministry of Internal Affairs in the capital was however responsive to all requests for documents regarding the fund.

RECOMMENDATIONS

To the Government of the Republic of Liberia:

Develop and implement a robust and accessible feedback, grievance and redress mechanism. As a priority, create space for dialogue between concessionaires and host communities. This should be implemented simultaneously with measures to demilitarize the mining sector. Using paramilitary forces may crush community dissent in the short term, but it does not provide a sustainable solution to the tensions and conflicts between mining companies and affected populations.

Introduce strict and robust monitoring of mining companies' compliance with their MDAs, especially on fiscal obligations, labor rights and social issues. New measures should include strict timetables for meeting obligations and sanctions when provisions are not met. Renegotiate the MDAs to make them compliant with the revenue code, labor law and other relevant legislation.

Investigate labor practices in the mining sector, especially in the China Union concession. This investigation should aim to objectively assess the conditions of service for workers in the mining sector and propose measures for improving their overall situation. This will help to remedy the appalling situation in the China Union concession as well as avert further deterioration of the situation in ArecelorMittal and Putu concession areas.

Conduct a review of the tax regime agreed in each MDA, using revenue assessment and payments to date to evaluate whether in fact Liberia is receiving a fair share of the value of the iron ore being extracted. This review should be part of a comprehensive and systematic strategy for maximizing Liberia's share of revenue generated from natural resources including iron ore.

Establish a formal platform in the various mining concessions to facilitate scheduled meetings between mining companies and project affected communities and host communities. This will provide a formal platform for communities to peacefully air grievances without censure. To make the dialogue meaningful and informed, establish information centers in the county capitals to hold copies of MDAs, ESIAs, labor law, and other documents to facilitate public access to them locally.

To Liberian civil society and international NGOs:

Continue to monitor, investigate, and systematically document the overall status of human rights in the mining sector. Particularly focus investigations on allegations of abuse of workers, violence inflicted by state security forces, any instances where paramilitary units use excessive force to dispel demonstrations, and cases where activists and community members that participate in protests are detained.

Increase awareness and understanding of policy framework surrounding mining, especially the MDAs, and work with communities to constructively air grievances. Help to coordinate dialogue between stakeholders in concession sites where demonstrations have occurred, particularly between communities and company management, and continue monitoring community relations and development in the mining sector.

Increase local awareness of international legal and voluntary mechanisms and frameworks, and increase access to justice for project affected communities. Additionally, develop programs to support communities desirous of using these mechanisms to hold mining companies and the government to account when their rights are violated.

Engage with the government, mining companies and other stakeholders to press for substantive reforms of policy and practice in the mining sector. These reforms should aim to introduce fairer revenue based on the value of the iron ore extracted and exported, tougher regulations to protect labor rights, and more equitable distribution of the national income from mining projects.

To mining companies operating in the iron ore sector in Liberia:

Press for social contributions to be applied to project affected and host communities, and pressure the government to impose immediate and strict monitoring standards on the use of social contributions. Also, insist that the government provide information on the use of social contributions in the form of regular monitoring reports and audits. These monitoring and audit reports should be public.

Institute regular fora and formal meetings with project affected communities and host communities, where company managers and community liaison officers meet community members – including traditional, youth, and women leaders, and citizen groups. These fora should provide space for stakeholders to speak openly about their concerns and expectations. Ultimately establish robust community outreach programs that target project affected and host communities.

Expand employment opportunities and cease the practice of hiring contract workers as permanent substitutes for employees. This will further strengthen your relationship with Liberian workers who currently feel that they are being exploited.

Demonstrators at an FPP-organized protest in downtown Bong Mines, Bong County, February 2014. © SDI

ONE

AN OVERVIEW OF THE POLICY FRAMEWORK FOR MINING IN LIBERIA

The Liberian Constitution grants the government ownership rights over all mineral resources, a provision that allows the government to extinguish individual and collective land claims when issuing exploration licenses or extraction agreements.[5] Communities' protests regarding concession allocation on their customary lands without proper consultation have at times ended in violent clashes with security forces. In an apparent response, the UN Panel of Experts on Liberia recommended placing a moratorium on the allocation of concession agreements until the Liberian land reform process is concluded.[6]

MDAs are legally binding contracts between mining companies and the Government of Liberia. They are established in the Amended Mineral Law of Liberia. The fees for licenses, the classification of licenses, mining rights, and processes by which licenses are granted are detailed therein.[7] The Mining Law is currently undergoing review and revisions that will align it with the Africa Mining Vision and other internationally recognized standards for extractive industries in developing countries.[8]

Mining concessions in Liberia exist within a fairly robust legal and policy framework. This includes the Act Establishing the Environmental Protection Agency (EPA Act) and the Environmental Protection and Management Law (EPML). The EPML requires maximum participation by the people of Liberia in the management and decision-making processes related to the environment and natural resources through various stakeholder processes.[9] Concession companies operating in Liberia are required to follow the Environmental Impact Assessment (EIA) process outlined in the 2002 EPA Act. There is an in-depth process of project submission and consultation, which starts with a notice of intent, includes an Environmental and Social Impact Assessment (ESIA) and finally culminates with submission of an Environmental Impact Statement and Environmental Management Plan.[10] Many provisions on international human rights conventions are enshrined through the EPA regulations, as are many additional rights afforded to Liberians. These provisions include the United Nations (UN) Convention on Biological Diversity and the UN Declaration on the Rights of Indigenous People.[11] The totality of the EIA process requires extensive stakeholder consultation.

The Liberian Labor Practices Law establishes minimum labor standards throughout Liberia. It sets the standard workday at eight hours and requires that any employer that extends the normal working hours notify the Ministry of Labor or a local labor inspector.[12] The Labor Practice Law, which excludes workers in mining concessions from minimum wage standards, also contains a clause that allows iron ore mining companies to extend the workday to twelve hours and the work-week to seventy-two hours.[13] Employees are to be compensated 'fifty percent above the normal rate' for work exceeding the normal workday.[14]

The Liberian executive branch is responsible for reviewing proposed concession agreements through the Inter-Ministerial Concession Committee (IMCC).[15] The National Legislature is then tasked with holding public hearings on all concession agreements and subsequently ratifying the agreements. The Legislature sends the ratified agreements to the President for approval.[16] Once the agreements are approved they become law. Many from civil society, government and the international community have iterated the weaknesses of the legislative review process. For example, residents of Putu Administrative District were shocked to learn about the Putu concession agreement only after it was ratified.[17] This illustrates disregard for citizen's participation in the process of awarding concessions. But these same weaknesses permeate all levels of Liberian extractive industries, not only the iron ore mining sector.

The major bodies relevant to concessions in Liberia are the Public Procurement and Concessions Commission (PPCC) created by the Public Procurement and Concessions Act (PPCA) and the National Bureau of Concessions (NBC). Both entities are tasked with overseeing concessions, in particular, ensuring that a 'public stakeholder forum' is held for would-be affected populations prior to the creation of any concession or contract.[18] The NBC is responsible for monitoring concessions, while the national Investment Commission (NIC) seeks out and facilitates FDI from multi-nationals.[19] The IMCC represents the Liberian government in negotiations with concession companies.[20]

The body primarily responsible for synthesizing and reporting data on concessions is the LEITI.[21] It routinely has affirmed reoccurring non-cooperation from government agencies in reporting and has also highlighted that government agencies often take data from concession companies without verification.[22]

TWO

TAXES, PAYMENTS, AND REVENUE GENERATION

Liberia is still heavily dependent on aid from international donors; however its iron ore mining sector provides an opportunity to create viable economic growth. According to the LEITI Report for 2011/12, mining contributed up to 7 percent of the country's overall GDP and 57 percent of all taxes from the extractive sector.[23]

Liberia's primary regulations that standardize the value creating capacity of extractive industries are the Revenue Code and the MDAs. The iron ore mining sector primarily creates 'value' for Liberia through taxes the government levies on companies' corporate profits, royalty taxes on the value of iron ore shipments, and social contributions made by companies to counties impacted by mining operations. The Revenue Code sets income tax at 30 percent of all corporate profits and royalty payments at 4.5 percent of the value of iron ore exported.[24] The MDAs generally have lower royalty and income tax amounts than the Revenue Code. China Union, ArcelorMittal and Putu pay 25 percent income tax on their corporate profits, as opposed to the 30 percent stipulated in the Revenue Code.[25]

The MDAs establish the amount of the payable social contributions, although there is no data on how this payment is determined. For instance, the Western Cluster MDA requires that the company pay $2.5 million toward a social contribution starting a year after the effective date of the MDA, and eventually pay $3.1 million as a social contribution once it starts commercial production of iron ore.[26] ArcelorMittal pays an annual social contribution of $3 million and China Union pays $3.5 million.[27]

All company payments outlined in the MDAs are income tax deductible. These payments include royalties, development and research funds, contributions to the Government of Liberia's university departments, scientific research funds, surface rental fees, and license fees.[28] 'The Mine Development' phase also requires significant investment that can be carried forward as net losses for companies, particularly the rehabilitation of ports, railroads, roads and other vital infrastructure.[29] The MDAs also generally provide for exemptions from import duties, export duties, and real property taxes.[30]

The mining sector generates more taxes than any other sector at present, but it is nowhere near its maximum capability in terms of creating revenue. The iron ore sector has not reached full financial output for several reasons. Liberia has not been fully explored and it is still transitioning from artisanal mining to industrial mining.[31]

Out of the four major iron ore companies only two, ArcelorMittal and China Union, are exporting iron ore. Also deductions, particularly company carry-forward of deductible net losses from one year to the next, potentially offset revenue collection in the early years of the concession due to the multi-million dollar expenses incurred from the Mine Development Phase.[32] In general, revenue from these companies is significantly reduced by the amount of money they have invested in Liberia to start their operations.

In addition to the reduction in revenue generated from corporate income tax, the actual agreements the Government of Liberia has negotiated with mining companies place the country in a poor position to maximize the value of iron ore mining. While some may argue that Liberia should accept whatever revenue it can generate, the Liberian government should seek to fully extract as much revenue as possible from iron ore mining companies for the following reasons:

1. Liberia is in desperate need of a sustainable revenue stream that can be applied for infrastructural and social development.
2. Iron ore is a non-renewable resource, iron ore exploitation causes environmental degradation and is highly susceptible to volatile prices on the global market.[33]
3. The MDAs have income tax rates for companies that are far below those set out in the amended revenue code, a development that international bodies have recognized reinforces Liberia's cycle of poverty.

According to the Africa Progress Panel, a conglomeration of experts on Africa from the public and private sectors: 'Liberia continues to provide extensive tax concessions to foreign investors involved in ore projects that go far beyond the arrangements set out in the Liberia Revenue Code (LRC). In a review of the natural resource sector, one IMF assessment made the following recommendation: "If these concessions come up for renegotiation, the authorities should aim to harmonize the terms with the LRC and avoid tax breaks."'[34] The panel also describes Liberia as a country plagued by the 'natural resource curse,' of poor governance and debilitating poverty.[35]

A good tax regime will balance profitability for international investors with adequate revenue collection for the government.[36] While developing countries often provide incentives to attract FDI, these incentives should be standardized and aligned with a coherent tax policy that supports a government-led poverty reduction strategy. Navigating the tension between national revenue generation and businesses' profitability may be difficult, but the economic indicators demonstrate that Liberia has tipped the scale in favor of foreign investors.

THREE CASE STUDY:
Liberia earns too little on its iron ore exports

This case study examines ArcelorMittal's tax payments to illustrate a key finding of this research: *Liberia gives generous tax concessions in the iron ore sector that undercut the Liberian Revenue Code. Also, because the government seems unable to track what extractive industries should pay in taxes, it is possible that the revenue it receives is considerably less than the actual amounts owed. In order for a development model based on attracting FDI and exporting raw materials to create impactful economic growth, the government must implement a comprehensive strategy that seeks to extract maximum taxes and other benefits from the iron ore mining sector.* This case study focuses on ArcelorMittal because it has shipped the most ore and there is more data regarding its operations, i.e. production and export.

People walking along the railroad used by ArcelorMittal, Nimba County.
© SDI

The original agreement between Mittal Steel and the Liberian government was signed in August 2005 by the Transitional Government of Liberia, and was heavily scrutinized by many international advocacy groups.[37] ArcelorMittal renegotiated the agreement and produced an amended version in 2007 and subsequently added a further amendment in 2013.[38] The MDA, which grants ArcelorMittal a 25-year mining license, is slated for review in 2015. ArcelorMittal, the world's largest steel producer, set up ArcelorMittal Liberia Limited and ArcelorMittal Liberia Holdings.[39] The former is the subsidiary and the latter is the parent company. ArcelorMittal is domiciled in Luxemburg, a country with extremely low dividend, capital gains and royalty taxes.[40]

ArcelorMittal's business model in Liberia operationalizes the production of raw iron ore in order to insulate the steel producing giant from rising prices of iron ore on the global market, a scheme which also provides ArcelorMittal with a hearty supply of raw materials.[41] ArcelorMittal became fully operational in 2010, and began producing Direct Shipped Ore (DSO) in the second half of 2011. The company shipped 4.1 million metric tonnes of iron ore in 2013 and 5 million tonnes as of August 2014.[42] ArcelorMittal aims to reach an annual shipment of 15 million tonnes.[43] The concession site is located in upper Nimba County, and extends along the road from Sanniqulle to Yekepa near the Guinean border.[44] The concession site impacts several towns, particularly Yekepa, Zoloweee and Gbarpa.[45] The concession site includes a railway maintenance camp at GreenHill Quarry in Bong County, the Port of Buchanan in Grand Bassa, and the railway running from Yekepa to the port of Buchanan.[46] Part of the ArcelorMittal concession encompasses the former LAMCO mining site at Tokadeh, and the former LAMCO township of Yekepa.[47]

In 2013, ArcelorMittal paid $8 million in total taxes to the Government of Liberia, despite the fact that it should have paid an amount closer to $23 million in royalty payments alone. This discrepancy in payment suggests a possible breach in ArcelorMittal's contractual obligation. It is possible that ArcelorMittal's corporate tax obligations were reduced to zero for a myriad of reasons, but there is no discernable way the company's overall tax payments should be lower than the royalties it is slated to pay on its shipments of iron ore.

The royalty payment on ArcelorMittal's 2013 shipment is 4.5 percent of the value of the iron ore calculated at an arm's length measurement.[48] The grade of the iron ore produced in 2013[49] had an average iron content of 60 percent and the value of the pressed ore, known as 'fines,' that was exported was at the very least $126 per tonne.[v] This means that the market value of the ore shipped in 2013 was around $517 million.[50] Without considering any other aspects related to tax avoidance or deductions such as loss carry-forward deductions on gross income, it appears that ArcelorMittal underpaid by roughly $12 to 15 million.[51] While there are too many variables and not enough verifiable information to determine ArcelorMittal's corporate taxes for 2012/13, it is worth investigating how the company was able to pay a total amount that is considerably less than its royalty payment, which itself is tax deductible.

While iron ore mining has the potential to be economically beneficial for Liberia, indications of under payment and nondisclosure of information from companies constitute serious roadblocks to sustainable development. LEITI has produced recommendations that highlight the need for government agencies to continually track payment obligations from concessionaires, especially to avoid an instance where companies underpay. A production audit across all sectors of the extractive industries – an LEITI recommendation that heavily implies there is poor government oversight of companies operations in the extractive industries – would likely help uncover how ArcelorMittal may have avoided $12 to 15 million in royalty payments on its exported iron ore in 2012/2013 alone.[52]

"The Government of Liberia should conduct a review of the tax regime agreed in each MDA, using revenue assessment and payments to date to evaluate whether in fact Liberia is receiving a fair share of the value of the iron ore being extracted. This review should be part of a comprehensive and systematic strategy for maximizing Liberia's share of revenue generated from natural resources including iron ore."

footnote

v For value of iron ore on the global market see Index Mundi, http://www.indexmundi.com/commodities/?commodity=iron-ore&months=60 ; For ArcelorMittal Mining Operations iron ore shipment description, http://corporate.arcelormittal.com/what-we-do/mining/operations/

CASE STUDY:
Community relations, expectations and the realities

This case study examines community relations with China Union since it commenced operations. It supports another key finding of our research: *while host communities look forward to development benefits brought about by iron ore mining concessions, relations between them and mining companies have generally become worse. There is a troubling trend whereby relationships between communities and concession companies deteriorates as the mining sites become fully operational. Residents of project affected and host communities have iterated that they have received very few developmental benefits from mining.*

Children of former BMC workers, evicted from their homes in early 2014, Bong Mines, Bong County, February 2014). © SDI

The China Union mining company holds a 25-year MDA to mine iron ore in Liberia. The agreement was signed in January 2009.[53] The MDA is to be reviewed every five years after the date of the start of production.[54] The impacted area is near the town of Bong Mines, Fuamah District, Bong County. The MDA grants China Union mining rights for an initial area of 59,000 acres, which during the life of the project may increase in size to a total of 153,000 acres.[55]

China Union's majority shareholder is the Wuhan Iron and Steel Corporation, one of China's largest steel makers.[56] China Union likely follows a business model similar to other iron ore companies, whereby the subsidiary cheaply acquires raw material for a steelmaking giant trying to offset the unstable price of iron ore in the global market. China Union has pledged to invest $2.6 billion into its Liberian operations.[57]

In February of 2014 China Union sent its first 50,000 tonne shipment of iron ore valued at around $1 million in royalty payments, and it aims to ship 10 million tonnes by 2016.[58] The company is subject to income taxes of 25 percent of its annual corporate profits and a royalty payment on the value of iron ore it ships anywhere from 3.25 percent to 4.5 percent, depending on the market value of iron ore at the time of shipping.[59] China Union is to ship iron ore it mines from Fuamah district along the railway to the Freeport of Monrovia.[60] China Union is required to rehabilitate the Bong Mines railroad and recondition roads in the areas near its mining operations.[61]

Former BMC workers and their families struggle to construct shelter after being evicted from their homes and given $500 USD to resettle, Bong Mines, Bong County, February 2014. © SDI

"One of the most visible sources of frustration with China Union and the Government of Liberia is the lack of development or noticeable change in the project affected area."

POOR IMPLEMENTATION OF MDA

SDI researchers visited the China Union concession multiple times over the span of nearly one year starting in August 2013. Residents of Fuamah District are generally agitated with the company due to its failures to fulfill obligations established in its MDA. Despite its publicly expressed desire to address community relations, China Union has made minimal effort to meet with stakeholders such as project affected and host communities, and workers.[62] Amid very serious accusations and visible evidence of abuse of workers, and near neglect of former workers from its predecessor that China Union was also mandated to resettle, the company has branded itself as a non-interested and non-compliant entity in the realm of community obligations.[63]

Anger at China Union boiled over into an organized worker demonstration wherein the entrance to the concession was blocked.[64] The government responded by sending in the militarized Emergency Response Unit of the Liberia National Police (ERU), which dispelled the demonstration by firing live rounds of ammunition in the air, according to various accounts.[65]

The MDA requires that China Union:

- Pave the road from Hyendi to Kakata, a task which was nearly complete five years after the MDA was signed;
- Rehabilitate the Bong Mines railroad within five years of signing the MDA;
- Contribute $100,000 to relocation of communities impacted by China Union operations (the actual relocation effort is the responsibility of the Government of Liberia);[66]
- Make annual payments of $3.5 million as social contribution towards development in communities impacted by its mining operations;
- Provide family housing, safe drinking water, sanitation facilities, and free medical care to its employees;
- Provide vocational training programs for Liberian citizens;
- Implement a process by which 50 percent of its senior management positions be held by Liberians within five years of the signing of the MDA, and 70 percent in ten years;
- Provide $200,000 worth of scholarships to Liberian students every year; and,
- Make an annual donation of $50,000 to the University of Liberia for a 'Mining and Geology Department.'[67]

China Union has largely failed to meet many of these requirements and has only partially met others. The most serious failure relates to infrastructural development, employment benefits, relocation and actual development in project affected and host communities. It took five years for China Union to complete most of the road from Hyendi to Kakata, with the Ministry of Public Works forcing the company to suspend work on the road in 2013 due to its use of substandard materials.[68] The railroad still remains in disrepair as China Union has opted to ship its ore via the dilapidated railroad. After five years the portion of the railroad leading from Fuamah to the Freeport to Monrovia remains incomplete, and there is a need for a serious resettlement plan to relocate the residents that remain along the railroad.[69]

One of the most visible sources of frustration with China Union and the Government of Liberia is the lack of development or noticeable change in the project affected area. According to residents there has been no visible change in the standard of living since China Union arrived, and there are reports that contaminated water sources stemming from the China Union operation have not been addressed by the company or the Government of Liberia.[70] To its credit however, China Union revitalized the Bong Mines Hospital, and SDI researchers witnessed Liberian contractors receiving free treatment. Prior to October 2013 the hospital was unable to treat Liberian patients as none of the Chinese doctors spoke English.[71]

Vocational programs for workers were established, yet most workers interviewed had not benefited from the training. There was also evidence of only one Liberian manager at the concession, a former district official who was given a senior position at the Public Relations Office. Respondents from the Bong Mines area reported that they know of no one that received a scholarship. The Bong County Superintendent stated that three years' worth of scholarship money was due in October 2013. The only evidence of payment is from 2010/11 and 2011/12, and amounts to a total of $200,000.[72]

The Government of Liberia has failed to properly resettle communities it forced to move due to China Union's operations. Many small settlements near one of the operation areas referred to as non-Goma area were asked to move and promised an extensive resettlement package plus guaranteed employment with China Union; however, many residents report receiving compensation as low as $100 with employment opportunities not forthcoming.[73] Despite threats from government officials that they'd be forcibly removed, members of another community - in the town of Blemu - have refused to relocate unless offered an adequate resettlement package.[74]

Resettlement will become a larger issue as China Union rehabilitates the railroad and expands operations. Former BMC workers in Fuamah District, who had to be relocated due to the MDA provision that China Union renovate old company houses for its current employees, were evicted with a single payment of $500. Due to the inadequacy of this payment some of these workers along with their families live in squalid conditions with no access to clean drinking water and in makeshift houses. These houses do not provide adequate shelter for many elderly former Bong Mines workers and their dependents.[75] This situation has been a source of tension between China Union and the community.

Families forced to resettle after the former Bong Mines workers were evicted from their homes by the GoL, Bong Mines, Bong County, February 2014. © SDI

UNACCEPTABLE LABOR PRACTICES

Many of the expected benefits from the concession come from its ability to provide jobs for the Bong Mines area populace. The reality is that employment has turned into a volatile human rights issue that highlights the major thematic challenges brought about by the proliferation of large mining companies with inadequate government oversight. SDI research confirms that China Union has routinely violated the Labor Law. Many China Union employees report being physically abused by Chinese workers, receiving wages as low as $50 a month, having workdays sometimes as long as 12 hours without holidays or weekends off, being kept as contract laborers not entitled to formal employees' benefits, and even having to beg China Union staff to receive their full salaries.[76]

Due to the unfulfilled obligations of China Union, many stakeholders criticize China Union. The Bong County Legislative Caucus publicly boycotted the launch of China Union Phase I operations, stating that China Union must address its bad labor practices and make its payments to the county or it would not be permitted to make any iron ore shipments.[77] The Caucus submitted a petition detailing the concerns of citizens in Fuamah district to President Ellen Johnson Sirleaf. As a result the Minister of Internal Affairs was sent to Bong Mines to examine claims and calm tensions.[78]

Around the same time a citizen advocacy group composed mostly of youths, the Fuamah Progressive Platform (FPP), began engaging issues of community relations in the China Union concession. Comprising of university students and residents from the Bong Mines area, the FPP takes a direct and confrontational stance with China Union in addressing the company's failure to live up to its MDA.[79] The FPP was critical of representatives from the Legislative Caucus, claiming that complaints from legislators were largely self-serving and were not aimed at addressing community grievances.[80] SDI observed a large FPP organized protest in Bong Mines in February 2014, where FPP drew a crowd of at least 200 people.

Residents of Bong Mines discuss China Union operation. May 2014. © SDI

COMMUNITY ANGER AND DEMONSTRATIONS

On September 28, 2013 a demonstration that FPP jointly organized with China Union contract laborers wherein access to the concession site was blocked lasted throughout the weekend and into the following week.[81] The number of demonstrators swelled to nearly 400 people.[82] On September 31, 2013 a government delegation that included representatives from the county legislature, District Commissioners, and other government officials arrived to try and seek a resolution to the demonstration.[83] The representatives were met with angry chants from participants, but FPP maintains the protests were peaceful.[84] The delegation returned to Monrovia and on October 1, 2013 the ERU arrived with a mandate to remove protesters. According to eyewitnesses the ERU demanded that protesters disperse and subsequently fired rifles into the air when demonstrators refused to do so.[85]

Following the demonstration, Deputy Police Commissioner A.B. Kromah invited FPP to Monrovia to meet the Minister of Justice and air their grievances.[86] Two Clan Chiefs who supported FPP accompanied the group, and upon arrival in Monrovia FPP was arrested and detained under police supervision until the following Monday.[87] The FPP members were charged with disorderly conduct, rioting and criminal mischief; the case was never pursued, and the two Clan Chiefs were dismissed from their positions by the government for supporting the protests.[88]

The frustration and anger of residents in the China Union concession, coupled with the inadequate response of the government, have created a powder keg that could erupt and explode at any time. Worker strikes continued into 2014, as communities have continually expressed anger toward the lack of redress for their complaints.[89] Subsequent SDI visits to the concession area to deliver its findings of the research have been well received in Bong Mines, and residents still express deep frustration with the current state of affairs.[90] The only consistent response from the Liberian government to these tensions is to rely on its militarized police units to defuse highly pressurized situations.

"The frustration and anger of residents in the China Union concession, coupled with the inadequate response of the government, have created a powder keg that could erupt and explode at any time."

Citizens are trapped in a bind where they feel forced to accept a status quo that lacks representation of their interests, but one where they are also expected to tolerate disruptions to their everyday lives brought about by company operations. China Union enables this process by abusing its local workforce and remaining silent in the face of calls to engage constructively with the stakeholders most impacted by its operations. These elements ensure that tensions in Fuamah District will further escalate towards an unfavorable scenario for all parties involved if the government fails to take an active interest in addressing citizens' grievances.

China Union has consistently made yearly payments of $3.5 million to Margibi, Bong and Montserrado counties. However, these payments, particularly the annual $1.75 million earmarked for Bong County, has not significantly contributed to development in the concession area, especially Fuamah District.[91] Also, while progress on the Hyendi-Kakata road did increase after the protests, members of FPP are still resolute in their belief that key community demands have not been addressed, hence their rally in February of 2014.

SDI made multiple attempts to contact China Union management or community liaisons for interviews and to share findings of its investigations, but the company failed to respond.[92]

Protestors in Fuamah District decry China Union's record on social development and its lack of impact on the lives of local residents, Bong Mines, Bong County, February 2014. © SDI

CASE STUDY:
The benefits of improved community relations

This case study illustrates that *mining companies could do more to improve their relationships with project affected and host communities. The relative calm and peaceful-coexistence that Putu enjoys with its host communities may not be sustainable or it may not be a result of community-wide satisfaction with the companies' operation, but it does suggest that it is possible to have an amicable relationship with communities.*

Sign pointing to entrance of Putu Iron Ore Mining, Inc's Headquarters in Tiamah Town, Grand Gedeh County, July 14, 2014. © SDI

Putu holds an agreement with the Government of Liberia to mine iron ore from one half of the Putu Mountain range in Grand Gedeh County for 25 years.[93] The MDA was signed in September 2010, although the company did not receive its license to mine iron ore until July 2014.[94] The company had completely shut down operations for some time when SDI researchers visited the concession in April 2014 as the exploratory phase had ended. Most employees were laid off, with promises of rehire after operations resume.[95] Putu has its headquarters in Tiamah Town or Putu Petroken.

Putu is owned by Severstal, a major Russian steel company. Putu is to pay 25 percent of its corporate profits in taxes and is to make a royalty payment of 4.5 percent on the value of the iron ore it ships.[96] The company produced an Environmental, Social and Health Impact Assessment (ESHIA) as mandated in its MDA.[97] Its operations, as it currently stands, will impact communities in Grand Gedeh, River Gee and Sinoe counties - although Putu District is the only place currently affected. Putu will build a railroad from the mines to the port city of Greenville, where the company will build or refurbish a port facility for its use.[98]

Putu is required to develop a Resettlement Action Plan for communities impacted by the proposed railroad.[99] While Putu has invested a considerable amount in Liberia, its proposed plans are quite ambitious, as the other two iron ore mining companies that are currently operational have revitalized old sites.[100] Putu is obligated to pay an annual social contribution that is dispersed to Grand Gedeh (50 percent), Sinoe (30 percent) and River Gee (20 percent). As of 2013/14 Putu pays a total of $3 million.[101] SDI made research trips to several of the most affected project towns in April 2014 and conducted a subsequent multi-stakeholder meeting at Tiamah Town in July 2014.[102]

"If Putu can maintain a relationship with the affected communities in Putu District while also working with the county government to better oversee the use of its funds, it may be able to avoid some of the routine problems in China Union and ArcelorMittal concession areas."

Since Putu is not fully operational the most striking issues of concern for affected communities relate to employment benefits and management of the CSDF. Community frustration over the actual concession practices is subdued. While some fault the company for its labor practices, most residents are happy that Putu will provide needed employment, training, and investment in the region. Most of the anger is directed towards the government; particularly county officials who communities believe have diverted CSDF money away from Putu District.[103] The Clan Chief of Putu Petroken told researchers that he was invited to a meeting to determine dispersal of the fund in 2013, but was not asked for suggestions regarding project implementation.[104] Most people interviewed had minimal knowledge regarding the way the social contribution is overseen at the county level.[105]

In 2011 a riot over hiring practices, specifically the refusal of the company to hire local workers, led to two deaths in the concession area. This incident culminated in an ERU response.[106] The ERU was also called in response to a threatening letter allegedly left by disgruntled Putu workers threatening that company officials would be killed if a series of demands were not met. Putu subsequently threatened to close down out of concern for the safety of its staff. Community members subsequently gave to the ERU the names of those who wrote the letters. Communities expressed the view that this incident was isolated and did not represent their feelings toward the company.

The company has not started official operations, but it is alarming that paramilitary units had to be deployed in order to quell tensions and mutual suspicions in the concession area. Even with good outreach, such as the case in the Putu concession, the overall tensions created by government practices in the natural resource sector have the potential to lead to quick escalation of violence.

BUILDING BRIDGES AND IMPROVING COMMUNITY RELATIONS

Workers Union officials interviewed in Tiamah Town maintained that there were small disputes over labor issues, and in a later SDI visit were eager to receive copies of documents such as the Labor Law. The relationship between the company and the workers appears to be moderately good. Putu fired a hiring manager who caused considerable community anger, and Putu maintains an actively engaged Community Liaison Office that attended an SDI multi-stakeholder meeting with citizens and representatives from various towns. Residents did express frustration that many workers have been hired as contractors, a move that deprives workers of Putu MDA entitlements. SDI also interviewed workers who had been fired from Putu after taking on particularly vocal roles in advocating for better worker conditions.[107]

Putu is still in the pre-operational stages of its agreement. It has opened channels of communication with community members and has largely lived up to the mandates of its MDA. If Putu can maintain a relationship with the affected communities in Putu District while also working with the county government to better oversee the use of its funds, it may be able to avoid some of the routine problems in China Union and ArcelorMittal concession areas.[108] In this respect, China Union and ArcelorMittal could take steps to learn from Putu.

These concrete structures were built by Putu for community members resettled from the airstrip facility in Grand Gedeh County. © SDI

CASE STUDY:
Promises of a better tomorrow no longer good enough for communities

The promise of a better tomorrow is no longer attractive to communities; the expectation of better days ahead that kept communities in check seems to be giving way to anger and frustration. This case study illustrates that *as mining operations intensify and companies begin extracting and exporting raw materials, concerns about development benefits have intensified. While in the past communities paid little attention to natural resources leaving their backyards, today they seem less inclined to allow it. Communities are increasingly agitated by the site of their natural resources being carted away with little benefits left behind.*

Despite ArcelorMittal's regular payments into the CSDF, its wide reaching ESIA, its general cooperation with the Government of Liberia, and its implementation of crop reimbursement schemes - it is one of the most volatile concessions in Liberia today. The concession is situated in Nimba, a county deeply scarred by the civil war, and where a significant proportion of youths are ex-combatants. The major aspects of prolonged anger in communities were the lack of visible benefits from the CSDF payments made by ArcelorMittal, the employee benefits which have not materialized in the concession area, the issue of resettlement for communities forced to relocate, and issues of crop removal and compensation.[109] All of these concerns are underscored by a governmental policy of eroding the ability of affected communities to levy complaints to local government officials[vi] or to company officials.[110]

"Citizens are trapped in a bind where they feel forced to accept a status quo that lacks representation of their interests, but one where they are also expected to tolerate disruptions to their everyday lives brought about by company operations."

The President of Liberia appeared to endorse this status quo in the State of the Nation Address in 2014 where she stated that 'the private sector will not respond if there is continued harassment, extortion and unreasonable community demands.'[111] The Liberian government has situated itself as the liaison for ArcelorMittal to communities. This places a degree of responsibility for the unrest in the concession area squarely on the backs of government authorities - particularly at the county and legislative levels. This development has also severely impacted communication between the company and the affected communities regarding many of the issues of importance to affected communities in the county. The numerous concerns of affected communities in Nimba have reached a fever pitch, and state sanctioned violence against aggrieved communities has marred ArcelorMittal operations.

When SDI researchers visited the ArcelorMittal affected area in May 2014, the general atmosphere was categorized by extreme disillusionment with the company and the government. Community members were visibly agitated at having to explain their grievances once more to outside researchers as the general conditions inside the concession area had not improved since 2011.[112] SDI staff had to routinely distinguish themselves from ArcelorMittal staff in order to deflect hostility at a meeting in Gbarpa.[113] The host communities were most upset about what they saw as ArcelorMittal's failure to deliver benefits mandated in its MDA and the government's perceived refusal to address their concerns. For instance, Elder Zuweh and Chief Kortoe of Zolowee continually reached out to Representative Arthur Tokpa and other representatives regarding unfulfilled promises, yet no meeting between these community leaders and legislators ever materialized.[114]

footnote

vi The County Superintendent refused to meet with citizen youth groups calling for a reexamination of the ArcelorMittal MDA.

"The interaction between communities, the Government of Liberia, and ArcelorMittal is defined by a cycle of misinformation, miscommunication, and dissemination of misleading information."

ARCELORMITTAL OBLIGATIONS IN THE MDA

ArcelorMittal is required to maintain and operate health facilities for employees, fill 25 percent of senior management positions with Liberian staff, appoint a Liberian to one of the top three management positions within ArcelorMittal, and provide training programs for qualified Liberian citizens.[115] ArcelorMittal is also tasked with recompensing host communities for crops planted in farmland lost to exclusionary zones marked off for ArcelorMittal operations and resettling individuals who were forced to move due to company operations.[116]

ArcelorMittal is to pay a yearly $3 million social contribution to the project affected counties of Nimba, Bong, and Grand Bassa.[117] These payments, according to the MDA, are to be managed by a 'dedicated committee to be formed by the concessionaire and the government.'[118] The Government of Liberia formally created a Dedicated Funds Committee (DFC) to oversee the distribution of payments into affected areas, and titled the contribution the CSDF.[119] Following extensive criticism from civil society groups, the Liberian government dissolved the DFC in 2012, ostensibly seeking to reform the management and oversight of the Funds.[120] The DFC management scheme was replaced with County Councils prescribed in the Budget Law, a legislation that is passed with each annual budget.[121] Rather than addressing the problems of poor governance and misuse, this scheme has exacerbated the situation.

In addition to concerns about the company's obligations, the practices of exclusion of affected communities in government decision making and a general failure to deliver benefits to communities outlined in the renegotiated MDA have defined relations between host communities and all other stakeholders since extensive fieldwork was last done on ArcelorMittal in 2011. Communities interviewed confirmed the conclusions found in previous research into the ArcelorMittal concession and provided updates that paint a grim picture:[122]

- Project affected and host communities have seen limited tangible benefits from the mining operation since its inception;
- There is a limited number of lasting employment and more contract work that absolves ArcelorMittal of providing employee benefits;
- Crop compensation is inadequate and not forthcoming;
- Health facilities are lacking, or are not operating to full capacity; and
- Government representatives ignore complaints and inhibit local stakeholders' efforts to seek redress.

The interaction between communities, the Government of Liberia, and the company is defined by a cycle of misinformation, miscommunication, and dissemination of misleading information. Even in instances where ArcelorMittal responds to community demands, its operations are hampered by abuses from its staff and local officials. For example, in 2014 ArcelorMittal issued 144 checks valued at $747,666 as compensation for damaged crops, but had to investigate its local staff directly responsible for collecting compensation figures on charges of fabricating crop values and farm records.[123]

PEACEFUL PROTEST AS A TOOL OF ADVOCACY

ArcelorMittal areas of operation in Nimba were blocked twice in 2014 by organized citizen advocacy groups, and both incidents were met with a heavy handed government response.[124] These instances of civil protest, labeled as obstruction by government entities, further illustrates that the current cycle of communication between stakeholders is counter-productive and even vitriolic.[125] The de facto response to demonstrations across concessions sites in the mining sector, which are occurring with increasing frequency, is to deploy heavily armed paramilitary units largely composed of former ex-combatants.[126] The paramilitary Police Support Unit (PSU) - following a protest that started peacefully but ended violently when the PSU used force to disperse the crowd - occupied the towns SDI visited in July for at least a week.[127] Regardless of intent, such an action sends a message that any expression of discontent regarding natural resource concessions will be met with force, and the intended recipients of the messages are communities most impacted by mining operations. Protests and civil disobedience are likely to increase as officials close the civic channels of redress for disaffected citizens.

The first incident occurred on April 24, 2014. A citizen youth group, "Concerned Nimbadians Calling for Re-signing and Renegotiation of the ArcelorMittal Mineral Development Agreement" or Concerned Citizens, peacefully blocked the ArcelorMittal railroad around the boundary between Bong and Nimba in the town of Douh.[128] In an interview with SDI, the leaders of Concerned Citizens confirmed that they blocked the railroad due to the lack of visible benefits brought by ArcelorMittal and the refusal of the County Superintendent to meet with them regarding their grievances, even though the Superintendent agreed to do so in March 2014.[129] Concerned Citizens timed its actions to coincide with discussions surrounding ArcelorMittal's MDA which will be reviewed in 2015.[130] They began organizing in the universities around Liberia and put together a platform calling for certain aspects of the ArcelorMittal MDA to be amended back in 2013.[131] Concerned Citizens submitted a petition to ArcelorMittal leadership detailing their grievances in a meeting that was attended by the CEO of ArcelorMittal and the previous County Superintendent in early September 2013.[132] Constructive dialogue between Concerned Citizens and ArcelorMittal continued to March 2014, with ArcelorMittal stating it would hire more Liberians in key managerial positions-as is mandated in its MDA-in direct response to its meetings with the group.[133]

Eventually Concerned Citizens' attempts to go through civil channels were undermined. After two years of constructive engagement wherein Superintendent Fong Zuagele received and replied to letters from the group, two of its leaders were arrested and transferred to Monrovia under his direct order.[134] They were later released, but would not openly reference county authorities in Nimba. When SDI invited them on its radio program, 'Development Talk', they did not mention the incident and were noticeably less critical of county authorities than before. Not only was this arrest illegal, but it reflects a growing policy of intimidation of youth activists in the mining sector. These punitive actions only cause a general escalation of tensions between youths and county authorities.

The second incident reveals the unstable and highly volatile nature of community relations in the ArcelorMittal concession. On July 3, 2014 a youth group from Nimba called the Tokadeh Progressive Youth Movement for Peace and Development (the Tokedah Movement), led a peaceful protest in which two access roads to the Tokedah exclusionary zone were blocked. The protest originally was organized by a coalition of elders, citizens and officials from Zolowee and Gbarpa. The organizers sent a formal letter requesting the right to protest to the County Attorney's Office in the provincial capital, Sanniquellie.[135] Prior to the protests, the elders of Zolowee and Gparba, officials from the towns, citizens from the towns, and the Tokedah Movement released a joint resolution.[136] They faulted the government and ArcelorMittal for faltering on their legally enshrined obligations to host communities, specifically citing issues of environmental degradation, employment, and infrastructural development.[137]

On the day of the protests the Tokedah Movement arrived after other citizens assembled and ultimately took the lead. Eventually, a heavily armed contingent of the PSU arrived on the scene. Although the protesters prepared food and shared with the unit, which was deployed for a lengthy period of time, the mood of the protests drastically changed when the PSU began aggressively dispersing the protestors.[138] Several people were wounded. Afterwards several people grouped in the night and began to loot and destroy equipment belonging to an ArcelorMittal contractor, vehicles, and other properties.[139] In the following days the heavily armed police units were deployed to the towns of Gbarpa and Zolowee, where they maintained an intimidating and terrifying presence for many days.[140] Prior to the protest SDI witnessed the presence of PSU guards armed with assault rifles at a meeting between Superintendent Zuagele and the citizens of Gbarpa.[141]

The use of heavily armed paramilitary units appears to have become the standard response to any open expression of discontent in project affected communities.

The paramilitary unit known as the Police Support Unit stand accused of provoking the violence that erupted in the ArcelorMittal concession in July 2014. The use of paramilitary units appears to have become the standard response to any expression of discontent in project affected communities. © SDI

In the aftermath of the protests dozens of people were detained and held on various charges.[142] Many of them were later released, but several leaders of the Tokedah Movement remained in hiding for fear of being harmed or killed if they submitted to authorities in Nimba.[143] Nimba has a reputation as a place that is still submerged in the dark legacy of the civil war, and the fear instilled in community members after this incident coupled with the response of county authorities has created an environment where the relationship between the two stakeholders is seriously strained.

After the protests, Superintendent Zugele arranged a meeting with communities from the affected areas and the ArcelorMittal resettlement liaison.[144] At the meeting ArcelorMittal promised to recommence crop surveys and crop compensation, while communities pledged 'that under no condition will any organization, national or local, use the most affected communities as a launching pad for hostile activities against ArcelorMittal's interests.'[145] It is very likely that these talks were a result of the mounting intimidation and fear created by a hostile response from the county authorities to peaceful demonstrations. Considering the peaceful origins of the protests and the overwhelming displays of force enacted against protesters, it is unlikely that an inter-stakeholder relationship of trust and accountability will materialize anytime soon.

The Liberian government continues to maintain that these protests were violent and has not acknowledged that the paramilitary units were heavy handed in their response, despite several witnesses corroborating reports of their actions. Additionally, the Government of Liberia refuses to engage with grievances put forth by these communities in any meaningful way.[146] Even though crop compensation meetings have resumed, the atmosphere surrounding the ArcelorMittal concession as of August 2014 was defined by terror, fear, a lack of meaningful dialogue between stakeholders, and general uncertainty.[147] Many of these same conditions led to the Liberian civil war.

Tokadeh protesters including girls at the road block. © SDI

AFTERMATH OF TOKEDAH PROTESTS ON THE NATIONAL STAGE: The Nimba CSDF

Following demonstrations in Tokedah against ArcelorMittal, President Ellen Johnson Sirleaf threatened to divert Nimba's CSDF money toward repairing property damaged during riots.[148] If she follows through with this threat, it is likely to fuel existing tension between the executive and the Nimba legislative caucus.

The tension between the executive and the Nimba legislature is already palpable. For example, a vocal representative who criticized the Ministry of Internal Affairs for not releasing the CSDF to Nimba in a timely manner was arrested and assaulted following the protests.[149] There are several instances where the ministry has refused to release money to Nimba, causing members of the Nimba Legislative Caucus to confront the central government.[150] Most striking is Nimba's longstanding opposition to central control and its delicate political atmosphere. For example, leaders implicated in war crimes during the Liberian civil war hold elected offices in the county. President Sirleaf's threats regarding the CSDF, if carried out, could stretch the already fragile relationship between county authorities and the executive branch to a tipping point. It is unclear if money from the CSDF has been diverted to fix damages in Nimba; however, any such use of the CSDF would be unlawful without allocation through the County Council.

The Liberian government has failed to respond adequately to engagement from citizen stakeholders and only moves to action when drastic events occur. This policy will likely increase the amounts of protests and demonstrations, which so far have mostly been peaceful. If this cycle continues, Liberia could find itself dealing with serious instability and incurable anger from its populace.

While communities' expectations may appear unreasonable to the political elites, their grievances appear justified, as their wealth is being carted away while they continue to live in squalid conditions. For example, ArcelorMittal shipped at least 9.1 million tonnes of iron ore worth an estimated $1 billion between January 2013 and August 2014; while project affected communities and host communities in ArcelorMittal's operation area continue to see limited benefits.

CONCLUSION

The iron ore mining sector in Liberia sits at a fundamental crossroad. It will either create viable jobs and revenue that can stimulate economic growth or it will facilitate the devolution of the state into a feckless rentier economy wherein citizens are reduced to casualties of natural resource exploitation. Although the Liberian civil war ended well over a decade ago, there has been very little systemic closure for the victimized populace. Many people in positions of authority were implicated in war crimes, and despite the Truth and Reconciliation Committee launching a rigorous campaign to create an environment of accountability, Liberia's leadership has effectively ignored its recommendations.[vii] The violence that has continually erupted in Liberia's mining sector, particularly at its largest operational mines, invites fears of a return to the same harrowing cycle of violence and suppression that pre-dated the Liberian civil war. As was the case before the civil war, violence at concessions is coercive in nature and responsibility for that violence overwhelmingly falls on the shoulders of the government.

Iron ore mining is by far the most lucrative industry Liberia has or has ever had. If there ever was a sector capable of ushering in a transition away from serial poverty towards a peaceful and prosperous future, mining is that sector. However, there must be a precise and pre-meditated plan for development that is systematically executed by a strong central government. Such a plan requires the government and the populace to move in a single direction, buttressed by a relationship of trust and accountability.

Liberia's history has shown that the panacea for development is not just multi-million dollar FDI, but a government that is willing to invest in the wellbeing of the populace by placing human capacity and governance at the forefront of its development policy. Management of the CSDF demonstrates that investment dollars and technical capacity will not bring about benefits if there are no proper governance mechanisms to manage the investment in place at all levels of administration. In fact, knowledge that wealth is forthcoming but is being squandered or stolen, harms the trust and accountability necessary for good governance.

The main priorities going forward should be management of investment flowing in from the sector and maximization of the sector's beneficial capacity for the country. Agreements that will be reviewed should be amended to reflect a strategy of levying maximum financial and infrastructural benefits for the Liberian populace. The primary ingredient in both strategies, however, is a coherent and strong government-one that acts as an advocate for Liberia's populace above the interests of all other parties.

The government should understand that Liberia's most prized resource that is being overlooked is its population. Ultimately the development of capital goods and industries lifts nations out of poverty; but it is citizens' engagement in every aspect of the economic, political and social life that sustains and propels a nation to economic prosperity. A nation that does not invest in education and technical knowhow cannot hope to develop the skills necessary to create self-sustaining engines of growth. Moreover, a country that continuously abuses its citizens and treats them as expendables without regard for the overall wellbeing of the society at large will likely never create the institutions necessary for human capital maximization. If the Liberian government fails to revise and realign its loyalties and priorities, Liberia will remain trapped by the natural resource curse of poor governance and serial exploitation by multi-nationals.

Putu Mountain, where Putu's mining operations will commence during the dry season, Tiamah Town, Grand Gedeh County. © SDI

footnote

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Liberian paramilitary police deployed to demonstration by citizens protesting ArcelorMittal operations, Nimba County. © SDI

ACRONYMS

BMC	Bong Mining Company
CDF	County Development Fund
CSDF	County Social Development Fund
DFC	Dedicated Funds Committee
DSO	Direct Shipped Ore
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EPA	Environmental Protection Agency of Liberia
EPML	Environmental Protection and Management Law of Liberia
ERU	Emergency Response Unit of the Liberia National Police
ESHIA	Environmental, Social and Heath Impact Assessment
ESIA	Environmental and Social Impact Assessment
FDI	Foreign Direct Investment
FPP	Fuamah Progressive Platform
IMCC	Inter-Ministerial Concession Committee
LAMCO	Liberian-American-Swedish Minerals Company
LEITI	Liberia Extractive Industries Transparency Initiative
LNP	Liberia National Police
MDA	Mineral Development Agreement
NBC	National Bureau of Concessions
Putu	Putu Iron ore Mining
PMC	Project Management Committee
PPCA	Public Procurement and Concessions Act
PPCC	Public Procurement and Concessions Commission
PSU	Police Support Unit of the Liberia National Police
SDI	Sustainable Development Institute
UN	United Nations
UNMIL	United Nations Mission in Liberia

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