

EITI CASE STUDY

Addressing the roots of Liberia's conflict through EITI



"Trust is the greatest asset a country can have. LEITI represents an important step in advancing our efforts to engage with stakeholders, to talk about our resources, and to build trust in our communities"
President Ellen Johnson Sirleaf.



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The EITI aims to strengthen governance by improving transparency and accountability in the extractives sector. Liberia has been in the process of implementing the EITI since 2006. The impacts demonstrate that the benefits of the EITI to the country extend well beyond the production of a report. In the following account, Negbalee Warner, Head of the LEITI Secretariat, and Eddie Rich, Deputy Head of the EITI International Secretariat, offer their reflections on the contribution of the EITI process to the creation of sustainable development and post-conflict reconciliation in Liberia.

Liberia's natural resource wealth has long been at the centre of the country's conflicts and tumultuous history, as well as the root of much of its corruption. Despite an abundance of iron ore, diamonds, gold, timber and rubber, Liberia was for fourteen years ravaged by a civil war that devastated the nation and brought it near the bottom of the UN's Human Development Index. When the war ended and general elections were held in 2005, the new government led by President Ellen Johnson-Sirleaf vowed to ensure national growth, development and reconciliation, through better transparency in how revenues from the extractives sector are managed. Liberia accordingly joined the Extractive Industries Transparency Initiative (EITI), and established the Liberia EITI (LEITI) as a multi-stakeholder body responsible for implementation of the EITI in the country.

Conscious of the role of corruption, mismanagement and distrust in fuelling the war, the Liberian Extractive Industries Transparency Initiative (LEITI) has made a special effort to be inclusive – covering the mining and oil sectors and other main export sectors including rubber and forestry. There have been extensive efforts to raise awareness of the initiative across the whole country. LEITI

has conducted intense consultations with communities on the results of the country's first EITI Report, including town hall meetings, radio programmes, newspaper articles, street theatre, and posters of the data in every public building in Liberia. The Report is revealing, and has generated quite a contagious interest among many Liberians in and out of Liberia.

What does Liberia's first EITI Report actually reveal?

The Report contains the various taxes and contributions paid to the Government by mineral and forestry companies and the corresponding revenues the Government receives from the companies. The taxes are presented on a company-by-company basis that matches reported payments against reported receipts, thereby showing clearly any discrepancy between what a company reports as paid and what an agency of the Government acknowledges as received. The value of discussions about the Report cannot be overemphasized, especially in the context of Liberia where information of this sort is hardly ever in the public domain.



Taxes and other contributions

The taxes and other contributions to government that the companies pay are an important contribution to the creation of sustainable development and stability in Liberia. However, the extent of this contribution is not always recognised, even within the direct community in which they operate.

For example, global mining giant, ArcelorMittal, was a subject of criticism, negative publicity and suspicion from Liberian citizens when an earlier billion dollar Mineral Development Agreement it signed with the former transitional government of Liberia was rejected by the current government as not being in the interest of Liberia. The LEITI Report shows that ArcelorMittal met all their tax and royalty requirements and that nearly US\$24.0 million received from them by the Government constituted three-quarters of the total tax and royalties from the oil, gas, mining and forestry sector.

Discrepancies

The Report also identified discrepancies between what the companies say that they have paid, and what the Government reports as received payments. Most of these were of a minor nature, likely to have arisen because of differences between companies and Government in how they classified payments and revenues. However one significant unresolved discrepancy concerned a withholding income tax payment of over \$100,000 by AmLib, which the Government denied receiving. A subsequent investigation discovered that the alleged payment was not officially received by the Government. AmLib identified the discrepancy to an errant and suspicious payment on their side, and have agreed to pay the money to the Government. AmLib is presently taking appropriate legal action and shoring up its financial systems. AmLib representatives have attended many of these town hall meetings themselves and explained this issue directly to the communities and what it is doing to prevent such a thing happening again.

Unexplained and suspicious payments

The Report also highlighted a number of unexplained and suspicious payments and some

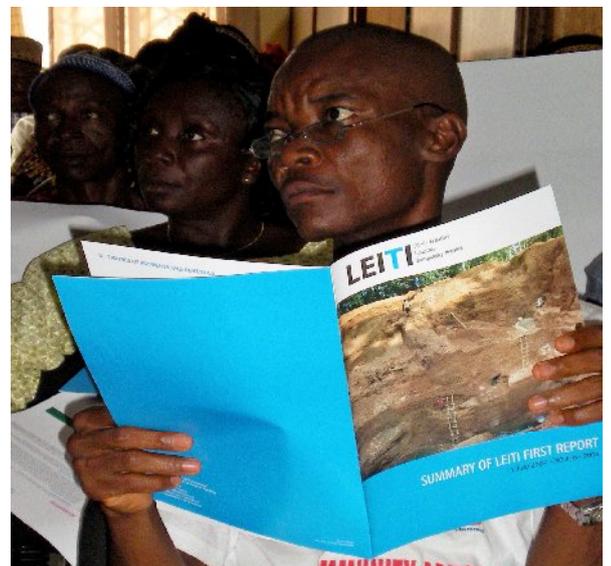
companies that had failed to report at all. This created a significant amount of interest and discussion within the communities. Who is operating the mine down the road? What and who are they paying? Why was this payment made? How is this having an impact on our community? How can we raise our concerns with government and with the companies themselves? Through the LEITI, these questions are being discussed openly and frankly with the companies and government in a safe, non-combatative environment. They have also used the opportunity to raise questions about how the money is being allocated and used, and whether the communities are receiving a fair return for their resources.

LEITI Act

In July 2009, following the publication of this first Report, the LEITI Act came into force. The Act requires that all government agencies and extractive companies comply with the Liberia EITI process. It goes far beyond the core EITI requirements, requiring that the payments by individual companies and that operating contracts and licenses are published and reviewed. This has reassured citizens and companies that all the extractive companies operating in Liberia from China, Malaysia, and elsewhere, will operate on an open and level playing field, and that there is a forum where stakeholders can voice their concerns. A company refusing to report will now be subject to criminal proceedings.

A new report for 2008-09 is being prepared and will be released later this year.

Building trust in a resource-rich post-conflict environment like Liberia may take years, but LEITI is taking the first bold steps in creating an environment for reconciliation.



"The EITI is playing a key role in our relations with stakeholders, helping us to connect with the communities where we operate and with the government."

*Joe Mathews,
CEO ArcelorMittal*

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