

Illegal Logging and Corruption: a Liberian case study



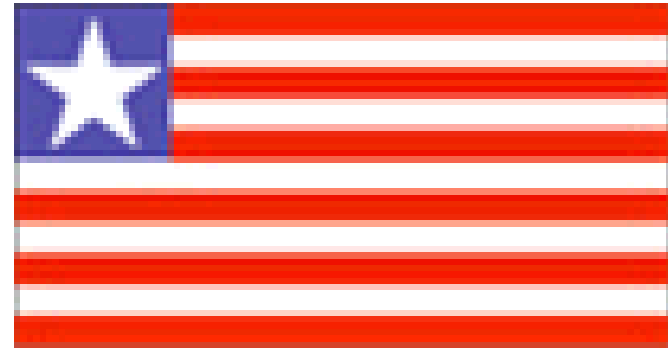
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Goldman Environmental Prize (2006 Recipient)

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The birth of a nation



- 'Founded' in 1822 by ex-slaves from USA
 - Gained independence (1847)
 - First indigenous votes in elections cast (1951)
 - Racism legally outlawed (1958)
 - Minority rule by Americo-Liberians ends (1980)
 - 10 years of military dictatorship
 - 14 years civil war (1990 – 2004)
- 158 years of misrule and plunder of natural resources**

The Forest



45% of forest cover in West Africa found in Liberia (approximately 10m acres)

2,000 flowering plants

240 timber species

620 bird species

Amongst 25 priority hotspots

More 90% pop. depend on forest products and services

Forests & Armed Conflicts (1990 – 1997)



Charles Taylor (National Patriotic Front of Liberia)

- Worked with associates to illegally harvest and export timber without any form of state oversight
- Trade estimated to be worth approx. \$50m per year
- Revenue used to finance NPFL rebel movement and to later run a successful presidential campaign
- 100% of all harvested timber illegal (conflict timber)
 - <armed non-state actors used timber revenue to finance war>

Forests & Armed Conflicts (1997 – 2003)



Charles Taylor, President of Liberia

- Introduced changes to forest laws (*New National Forestry Law, Strategic Commodity Act*)
- Rewarded war-time associates with concessions
- Weakened forest law enforcement (*politicized*)
- forest corruption became widespread
- Revenue used for terror campaign

Corruption and corrupt practices in the forest sector

- Concession allocation process
- Tax assessment
- Tax collection & misapplication
- Tax reporting

Concession allocation

- **Instead of conducting field surveys to determine suitability and availability of forests areas, prospective concessionaires paid for fictitious surveys to forestry officials.**
- **An 18-member national concession review committee described the concession allocation process as “*an exercise in speculation based on absent surveys*”**

Tax assessment

- Misclassification (deliberate)
 - Ekke (\$87/ cubic meter)
 - Sipo (\$135/ cubic meter)
- Bulk classification
- Under-valuing high value timber species
- Under reporting volume

REPUBLIC OF LIBERIA
BUREAU OF CUSTOMS AND EXCISE
MINISTRY OF FINANCE

EXPORT ENTRY
Customs Form MP 832

Name and address of Exporter
Description of Goods
Quantity
Value
Date of Issue

CRISTAL TIMBER CORPORATION
4/2/90

Tax collection & misapplication



Two official letters from the Ministry of Finance of the Republic of Liberia are shown side-by-side. The left letter is dated July 11, 1999, and the right letter is dated May 29, 1999. Both letters are addressed to Mr. John Teng, General Manager of Oriental Timber Corporation in Grand Bassa County. The subject of both letters is 'GOL TAX PAYMENT TRANSFER'. The left letter authorizes a transfer of US\$1,000,000.00, while the right letter authorizes a transfer of US\$2,500,000.00. A large red text box is overlaid on the bottom half of the letters.

Payment instructions for forestry related taxes totaling \$8m in favor of individuals and bank transfers to off-shore bank accounts by a single official at the Ministry of Finance in less than one year.

Tax reporting

- Between 1997 and 2002 approximately 732,592 cubic meters of round logs unaccounted for
- In 2000 the CBL reported total log export to be valued at approximately \$60m while the FDA reported approximately \$68m for the same period
- In 2001 differences in export value was approximately \$19m
- Custom declaration from countries importing Liberian logs were higher than official (Liberian) export figures

Summary conclusion

- The impact of corruption in the forestry sector is often underrated. The country loses vital tax dollars, which undermines economic development. However, the cost in terms of value of damaged/ destroyed resources and the ecological consequences as a result of environmental destruction are phenomenal.
- Transparency and increased public oversight of the sector is critical to address some of the challenges posed by corruption in the forestry sector. There is a need for the industry to embrace the principles of the Extractive Industries Transparency Initiative (EITI) as one of the tools to fight corruption.