Illegal Logging and Corruption: a Liberian case study

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Contents

• Background to Liberia
• The Forest: a brief description
• Forests and Armed Conflicts
  • National Patriotic Front of Liberia (NPFL)
  • National Patriotic Party (NPP)
• Corruption in the forests
  • Concession allocation
  • Tax assessment
  • Tax collection and misapplication
  • Tax reporting
• Conclusions
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>

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 (*политизирован* *)
- 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
Tax collection & misapplication

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.