



global witness

Members of the Board
Forestry Development Authority
Monrovia
Liberia

15 July 2009

Dear Sirs

Background investigations into companies bidding for forest management contracts

Global Witness has been monitoring closely the bidding process for forest management contracts (FMCs) F, K, I and P that were announced on 19 February 2009. It is our belief that industrial-scale logging is rarely, if ever, pro-poor and contributes little, if anything, to poverty reduction. If, however, the Liberian government does choose to allocate FMCs for this purpose, it is essential that it awards contracts only to those companies that have the requisite technical and financial capacity and a track record of legally-compliant operations and a respect for human rights in the countries in which they have worked.

In this context Global Witness welcomes the steps taken by the Liberian Government to make the bid evaluating process more robust through the inclusion of clear guidance for the bid evaluation committee in the bidding documents for the FMCs. Despite these improvements, Global Witness is concerned that neither the guidance provided to the bid evaluation committee in the bidding documents, nor the published terms of reference for the due diligence company,¹ include a requirement to assess the previous operations of the company, their significant individuals, associates and beneficial owners.

It is our view that, without this requirement, the evaluation of the bids will be insufficient, creating the risk that the Liberian government may award forest management contracts to companies that have poor track records in their own right or are under the control of other individuals or entities that have a history of law-breaking. This is of particular concern given the role that logging companies previously played in fuelling the conflict in Liberia and the surrounding region.

Our concerns about deficiencies in the bid assessment process are underscored by the results of our own research into the background of companies that have submitted bids on the second round of forest management contracts (FMCs) in Liberia. Our findings, which are summarised in the memorandum attached, strongly suggest that two of these firms have some form of ownership relationship with the Samling group of companies, which are internationally notorious for illegal logging activities. The information we have obtained – which is corroborated by the comments on the due diligence report by the GEMAP Controller – indicates that Atlantic Resources

¹ Global Witness has made repeated attempts to obtain confirmation from the FDA, the due diligence company, the World Bank and the US Forest Service that the terms of reference published on the FDA's website are the ones that the due diligence company is following. To date Global Witness has not received a response to this question from any of the above parties.

Limited is associated with Samling via Perkapalan Damai Timar company, and that Southeast Resources Limited is also associated with Samling via Woodman.

Global Witness has documented illegal and abusive practices by Samling over a period of several years in Cambodia and is aware of evidence that it has been operating in a similarly unlawful and destructive manner in other countries, including Malaysia, Papua New Guinea and Guyana.

In the late 1990s Global Witness revealed that Samling was logging without a cutting permit and illegally sourcing timber from a Cambodian wildlife sanctuary. The Cambodian government, meanwhile, accused the firm of violating the country's law on four separate counts. In the Malaysian province of Sarawak, Samling is one of the companies logging the last remaining areas of primary forest and stands accused of illegally logging communal lands. In January 2007, Barama, a Samling subsidiary, had its Forest Stewardship Council certification suspended in Guyana after an independent auditor uncovered a range of violations including logging in Amerindian lands without the free and informed consent of local populations and failure to conduct appropriate environmental impact assessments. There is also evidence that Concord Pacific, a firm controlled by Samling, undertook large-scale illegal logging during its operations in Papua New Guinea.

In addition, checks on the background of a significant individual of Atlantic Resources, Eddington A. Varmah, raise further questions as to the company's credentials as an appropriate custodian of Liberia's forests.

Global Witness is also concerned that the financial and legal checks that were carried out by the due diligence team were insufficient and that the overall quality of their assessment is extremely poor. The comments made on the draft due diligence report by GEMAP Controller Thomas Downing highlight a range of serious flaws. It is apparent from the team's written responses to these comments, however, that they have not dealt with many of the concerns that he raises. For example, the due diligence team failed to investigate the interrelationships between the bidders, failed to verify and authenticate documents, and failed to examine the issue of the debarment of Unitimber or fully draw conclusions on the financial capacity of the bidders. These issues are examined more fully in the memorandum attached.

We believe it is crucial that the board of the FDA, the IMCC, the due diligence committee and the Liberian authorities give full consideration to the previous track record of the companies, their significant individuals, associates and beneficial owners to ensure that only those firms with a track record of legal compliance and respect for human rights are selected. We therefore urge the Forest Development Authority Board to undertake, without delay, detailed investigations into the companies whose bids are being considered and to suspend the FMC allocation process until these investigations are completed.

Please do not hesitate to contact me should you require any further information on these issues.

Yours faithfully

Mike Davis
Team Leader