



global witness

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Proposed law would cost cash-strapped Liberian Government millions

Logging companies in Liberia are trying to get out of paying millions of dollars in tax to the country's cash-starved government through a dubious new law, warned campaign group Global Witness today.^[1]

Global Witness has discovered that members of the Liberian House of Representatives have drafted legislation to reduce the annual fees paid by timber concessionaries by 80 percent. This could cost Liberians US\$10.3 million a year in much needed revenue.^[2] In a clear conflict of interests, one of the lawmakers supporting the move holds shares in a logging firm that stands to benefit financially.^[3] The news comes as evidence mounts that the companies concerned are contributing next to nothing to Liberia's development.

"Liberia's logging companies knew their obligations when they signed their contracts," says Jonathan Gant, Policy Advisor with Global Witness. "Concessionaires have been lobbying for years to reduce their taxes and now look set to succeed. It makes no sense that the Government of Liberia, which is desperate for money, is bowing to the interests of logging companies that have delivered so little to the country."

The Liberian Government and donors, including the United States and the World Bank, have spent six years and tens of millions of dollars reforming the country's forestry sector. Yet as the UN and other groups have reported, Liberia's forestry laws have been breached repeatedly, allowing huge swathes of land to be given to companies that lack technical or financial capacity.^[4] Companies are failing to deliver the benefits that they are contracted to provide to communities, leading to conflicts that have already claimed one life.

The proposed new law is not the first attempt by companies to substantially reduce the amount of tax they pay. In December 2008 and June 2009, the UN Panel of Experts reported on a deal struck between three companies and government officials whereby taxes would be reduced. The Panel described the agreement as 'appearing to be a serious violation of the National Forestry Reform Law and the Public Procurement and Concessions Act'. This deal, which was rejected after being exposed, bears strong similarities to the terms of the bill now under consideration.^[5]

Global Witness is calling on Liberian lawmakers to reject the proposed changes to the tax regime and urges international donors to act to stop the incipient failure of forest sector reforms. The argument made for years by the government and donors alike – that industrial logging is justified by the revenues it generates for development – has again been comprehensively discredited. It is time that alternatives to industrial scale logging are given the urgent consideration they deserve.

"Logging companies have broken the law, are not performing, and are not creating jobs. The government and the donors must agree to scrap this failing system before all Liberia's forests are chopped down and the rights of Liberian people are further trampled," said Gant.

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Notes:

^[1] The draft law in question has emerged from Liberia's House of Representatives, and is titled 'An Act to Abolish the Payment of Land Rental Bid Premium on Contract Area in the Forestry Sector of the Liberian Economy'. The bill is accompanied by a 'Report of the Joint Committee on Ways, Means and Finance, Judiciary and Agriculture, on the Act to Abolish Land Rental Bid Premium,' also from the House of Representatives.

^[2] SGS/Liberfor, 'Chain of Custody Financial Update', 30 August 2010.

^[3] Global Witness has copies of the Articles of Incorporation of the logging concessionaire International Consultant Capital, dated 20 August 2007, which show that Moses Y Kollie owns 6% of the shares in the firm. Moses Y Kollie is also a member of the Liberian House of Representatives, representing Lofa County. Accompanying the draft law is a report of the Joint Committee on Ways, Means and Finance, Judiciary and Agriculture, on the Act to Abolish Land Rental Bid Premium, which includes signatures of members of the House of Representatives who support the proposed legislation. Moses Y Kollie is one of these signatories.

^[4] For additional information, see Sustainable Development Institute, 'Liberia – The Promise Betrayed: Failure to fully implement forest sector reform may put the livelihoods of communities at risk and undermine the implementation of the Poverty Reduction Strategy. Will a progressive Voluntary Partnership Agreement with Europe mark a return to the path of reform?' January 2010. This report can be downloaded from http://www.wrm.org.uy/countries/Liberia/Promise_Betrayed.pdf.

^[5] United Nations Panel of Experts on Liberia, 'Report of the Panel of Experts submitted pursuant to paragraph 1 of Security Council Resolution 1819 (2008)', S/2008/785, 12 December 2008, paras 89-94; United Nations Panel of Experts on Liberia, 'Midterm Report of the Panel of Experts submitted pursuant to paragraph 4 of Security Council Resolution 1854 (2008),' S/2009/290, 5 June 2009, paras 60-62.