

On 15 July 2009, Global Witness revealed that two firms linked to Malaysian timber giant Samling, a company notorious for illegal logging, ecological devastation and conflicts with local communities, are being considered for major logging contracts in Liberia because of flaws in the bid evaluation process. A third Samling-associated company has already had its forest management contract ratified by the government.

There is evidence that all three of these companies have breached Liberia's laws on procurement. Global Witness is therefore calling on the government to annul the contract already awarded, disqualify the current bids of the two remaining companies and debar all three from bidding for forest management contracts.

Global Witness is also calling on the Inter-Ministerial Technical committee to not sign any new logging deals until a credible due diligence process, including thorough background checks on all the companies that have bid, has been completed.

Since we published our findings on 15 July, the three Samling-affiliated companies have issued two statements containing a range of false accusations against Global Witness. We wish to restate the basis for our concern that allowing these firms to take control of a huge swathe of Liberia's forests could be disastrous for the country's efforts to reduce poverty and manage its forests sustainably.

The Forest Management Contract bidding process

The Liberian government and its international partners have spent five years and millions of dollars reforming the country's forest management system. These efforts are now being undermined because of inadequate vetting of the companies bidding for new 25-

Global Witness warns over future of Liberia's forests



Allocating Forest Management Contracts (FMCs) to one of the world's most notorious logging companies could spell disaster for Liberia's forests and the people that depend upon them.

year forest management contracts (FMCs). Global Witness contacted the due diligence team appointed by the government and international donors while they were conducting their assessment and provided them with a range of data about the questionable credentials of some of the companies bidding. Despite this, the due diligence firm failed to investigate whether these companies have a track record of legal compliance and respect for human rights.

The Forest Development Authority, meanwhile, has not taken the necessary steps to ensure that Liberia's laws on procurement are upheld in the allocation of the FMCs. The Public Procurement and

Concessions Law, the National Forestry Reform Law and FDA Regulation 103-07 covering bidder qualification have already been breached in the allocation of the first three FMCs awarded earlier this year. In the current FMC bidding round, there are again indications that legal requirements are being circumvented.

These deficiencies have opened the door to three firms affiliated to Samling, one of the world's most notorious logging companies.

Global Witness understands the need for Liberia to generate wealth and jobs, however industrial logging in the tropics has a very poor record in providing the sustainable

development that people have a right to expect. Contravention of national laws and guidelines, illegal logging and corruption all serve to rob the country of both the money and its natural capital – the forests.

If companies fronting for Samling with its dismal record get a hold in the forests Liberia will struggle to reap any benefit.

Samling

Samling is a highly predatory group of companies which has made huge profits at the expense of very poor people in Cambodia, Guyana, Malaysia and Papua New Guinea. Now it has its sights set on Liberia.

- Global Witness found Samling illegally sourcing timber from a Cambodian wildlife sanctuary in the 1990s. The Cambodian government, meanwhile, accused Samling of illegal logging on four different counts.
- In Guyana in 2007, Samling’s subsidiary Barama was stripped of its Forest Stewardship Council certificate after an auditor found it logging without the consent of the indigenous people who owned the land. In the same year, the President of Guyana publicly accused Barama of conspiring with corrupt officials to defraud the government.
- In Malaysia, Samling is at the centre of a long-running and bitter conflict with indigenous minority groups who claim that the company is abusing their rights and destroying their livelihoods.
- In Papua New Guinea, a company controlled by Samling called Concord Pacific stands accused of using a road construction project as the cover for a massive illegal logging operation.
- For more details on Samling’s track record, see www.globalwitness.org/samling

The companies fronting for Samling in Liberia

Alpha Logging, Atlantic Resources and Southeast Resources are three previously unheard of companies that have bid for FMCs in Liberia. Alpha has already been awarded a contract to log; bids by Atlantic and Southeast are currently being considered. Global Witness has obtained evidence showing that all three of these companies are connected to Samling:

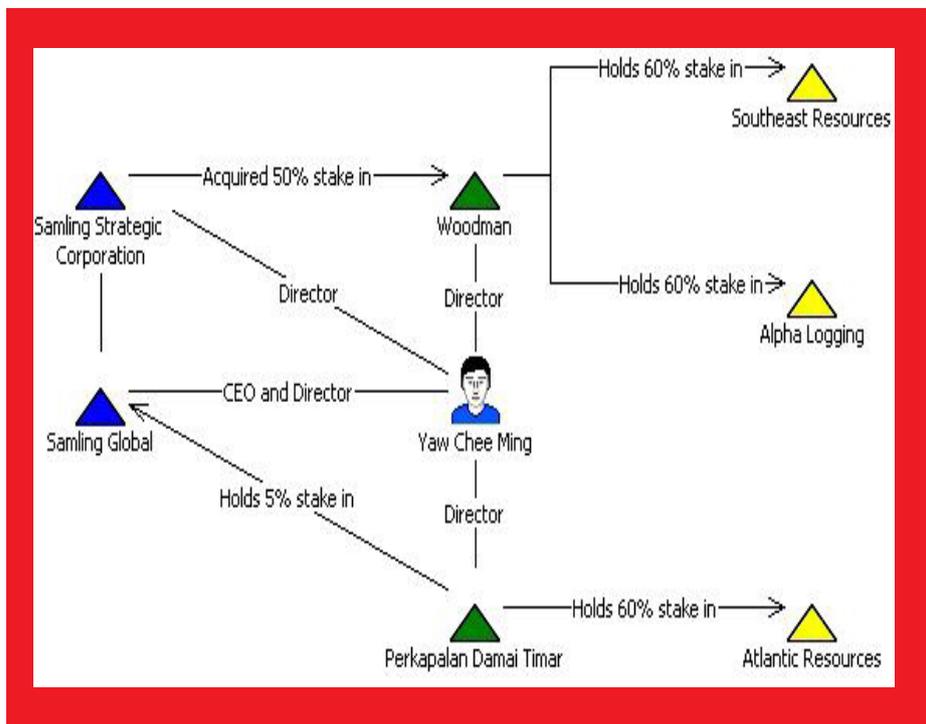
- Southeast Resources is 60% owned by Woodman, a firm in which Samling acquired a 50% stake.
 - Woodman also owns 60% of Alpha.
- An invoice issued by the official

timber chain of custody monitor SGS to Alpha is addressed to a company owner with a Samling e-mail address: handc@samling.com.my.

- Atlantic Resources is linked to Samling via a firm called Perkapalan Damai Timar (PDT). PDT holds a 60% stake in Atlantic and a 5% stake in Samling. It has a series of interconnected relationships with other members of the Samling group of companies.
- According to official documents seen by Global Witness, Samling Global is providing the money to support PDT’s funding of Atlantic Resources and the CEO of Samling Global is a director of both PDT and Woodman.

When Alpha prequalified for bidding on the first round of FMCs, sixty percent of its shares were owned by a Korean company named Eagon. In January 2008, however, after prequalification but before bidding, Eagon sold its shares to Woodman. Under the terms of the FDA Regulation 103-07, Alpha’s prequalification certificates should, at that point, have been annulled and the company disqualified from bidding.

Alpha, Atlantic and Southeast have now issued two joint statements via a media consultant, claiming that they are all entirely independent companies that ‘each bid separately and distinctly’. However Atlantic and Southeast appear to have collaborated in the preparation of their bids for the latest round of FMCs. Global Witness and others present at the bid opening ceremony in February this year observed that Atlantic’s technical proposal was delivered in the envelope presented by Southeast. Liberia’s Public Procurement and Concessions Law prohibits collusion between bidders and calls for companies found to be colluding to be banned from participating in public procurement for up to six years.



Accusations made by Alpha, Atlantic and Southeast against Global Witness

The joint statements by Alpha, Atlantic and Southeast contain a range of unfounded accusations against Global Witness. The companies accuse Global Witness of (1) acting on behalf of their competitors; (2) of attempting to stifle economic development in Liberia; (3) of not contacting all the named companies in advance of publication and (4) of claiming, incorrectly, to have received information directly from the donor-funded Governance and Economic Management Assistance Program (GEMAP) Controller Thomas Downing.

All these allegations are entirely false.

- Global Witness has never acted on behalf of any logging company.
- In the tropics the logging industry always uses promises of development to justify its existence, but in reality it has looted hundreds of millions of dollars worth of timber from poor countries and created huge ecological damage. In Liberia, Global Witness has worked with the government and the international donor community to prevent the loss of tens of millions of dollars of logging-related revenues that would have been denied to the state through failures in the reform process.
- With respect to Global Witness' aspirations for Liberia's economic development, it is worth recalling that in 2006 a Global Witness analysis of the Mittal Steel investment at Yekepa earned the gratitude of President Johnson Sirleaf for its contribution to the renegotiation of the company's contract with the government. This renegotiation added US\$100 million to the value of the contract and made it more equitable for Liberia and its people.
- On 12 June 2009 Global Witness wrote to all of the companies named in our briefings asking them for their comment. The only reply to these letters was a joint statement sent by Samling Global Limited, Glenealy Plantations (M) Berhad and Lingui Developments Berhad, which asserted that they were 'not involved in the bidding or awarding of any forest management contract in Liberia. We therefore regret that we will not be able to respond to your due diligence questionnaire.' This statement did not answer any of the other questions that Global Witness posed regarding Samling's relationships with Alpha, Atlantic and other companies. Alpha, Atlantic and Southeast did not respond to the letters that Global Witness sent them.
- In its briefings, Global Witness quoted a memorandum from Thomas Downing to Acting Managing Director of the Forest Development Authority, Honorable Kederick Johnson, dated

If Alpha, Atlantic and Southeast all win forest management contracts, this will give Samling-associated companies control of three quarters of a million hectares of Liberia's forest for 25 years. This is equivalent to 58% of all the forest allocated for logging so far and approximately 7.8% of the country's entire surface area.

6 June 2009, which made up part of the due diligence report submitted to the government on 30 June 2009. At no point did we claim to have communicated with Thomas Downing directly.

How Liberia can earn tens of millions of dollars from its forests

It is now widely accepted by the Parties to the UN Framework Convention on Climate Change (UNFCCC) that global deforestation must be halted in order to win the battle against climate change (deforestation contributes around 18% of annual greenhouse gas emissions, greater than the global transport sector).

Forest-rich countries will be able to financially benefit from preserving their forests through a scheme known as REDD (Reduced Emissions from Deforestation and Degradation). REDD could enable Liberia to earn more money from its forests by not allocating them to industrial logging companies. Global Witness has brokered meetings between a foreign government and the government of Liberia which could potentially result in a fast-track multi-million dollar revenue stream. This means that there could be significant funds available to the Liberian Government to invest in the redevelopment of the country, while at the same time preserving the forests for local uses. This is not aid: it would be a good deal for Liberia, and for the planet.

Global Witness

- Global Witness is a London-based NGO that campaigns to break the links between natural resources, conflict and corruption
- During the civil war in Liberia, Global Witness and its Liberian partners exposed how former President Charles Taylor raised money for his military campaigns through destructive logging operations by mostly foreign firms. Global Witness used this evidence to persuade the UN Security Council to impose timber sanctions on Taylor's regime, thus cutting off one of his most important sources of revenue and helping to hasten the end of the war.
- Since the war ended, Global Witness and its partners have campaigned for Liberia's forests and other natural resources to be managed in a way that brings long term benefit to the country's people, rather than short term profits for unscrupulous foreign companies.