

**Security Council**

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**Letter dated 15 June 2011 from the Chairman of the
Security Council Committee established pursuant to resolution
1521 (2003) concerning Liberia addressed to the President of the
Security Council**

On behalf of the Security Council Committee established pursuant to resolution 1521 (2003) concerning Liberia, and in accordance with paragraph 6 (f) of Security Council resolution 1961 (2010), I have the honour to submit herewith the midterm report of the Panel of Experts on Liberia.

I would appreciate it if the present letter, together with its enclosure, were brought to the attention of the Security Council and issued as a document of the Council.

(Signed) Nawaf **Salam**
Chairman

Security Council Committee established pursuant to
resolution 1521 (2003) concerning Liberia



Enclosure

**Letter dated 17 May 2011 from the Panel of Experts on Liberia
addressed to the Chairman of the Security Council Committee
established pursuant to resolution 1521 (2003)**

The members of the Panel of Experts on Liberia have the honour to transmit the midterm report of the Panel, prepared pursuant to paragraph 6 of Security Council resolution 1961 (2010).

(Signed) Wynet **Smith**
(Coordinator)

(Signed) Christian **Dietrich**

(Signed) Augusta **Muchai**

Midterm report of the Panel of Experts on Liberia submitted pursuant to paragraph 6 (f) of Security Council resolution 1961 (2010)

Summary

Arms embargo

During the reporting period, the Panel established that there were attempted violations of the arms embargo by individuals and groups. The crisis in Côte d'Ivoire was identified as a security threat as armed Ivorian elements, including Liberian mercenaries, attempted to cross into Liberia through official border posts as well as unofficial crossing points. To help to control the illicit proliferation of small arms and light weapons, the Government of Liberia issued Executive Order No. 28 on 26 October 2010 requiring the registration of illegal arms. United Nations Mission in Liberia and Government officials also informed the Panel that the draft National Firearms Control Act of 2006 is currently under review prior to being presented to the legislature.

Travel ban and assets freeze

The Panel has made efforts to more effectively identify and locate targeted individuals and entities. A more comprehensive and standardized methodology for listing individuals and adding identifying information would enhance the applicability of the travel ban and assets freeze lists. To take one example, the Panel notes that neither the travel ban list nor the assets freeze list contains identifying information provided in the Panel's reports of 2010 (S/2010/319 and S/2010/609); some data from previous reports are also absent. The Panel has obtained a copy of a passport of Sanjivan Ruprah, which expired in 2008, as well as current passport information for Jewel Howard Taylor. The Panel reiterates its previous recommendation that there is an opportunity for collaboration between the Committee and the International Criminal Police Organization (INTERPOL) to issue Special Notices for individuals cited in the travel ban and assets freeze lists (S/2009/290, para. 194).

Natural resources and the Kimberley Process

The Government of Liberia authorized the export of almost 22,762 carats of rough diamonds valued at over \$15.6 million during 2010. Liberia has submitted the required annual report to the Kimberley Process. The Panel has begun to assess compliance and will report its findings in its final report. However, the Panel notes that there is a new team of officials in the Ministry of Lands, Mines and Energy and that there appears to have been little action on implementation of the Kimberley Process since December 2010. As at 27 April 2011, companies with forest management contracts have paid only \$1.486 million out of over \$15 million of area-based fees and companies with timber sales contracts and private use permits have paid over \$382,000 out of \$490,000 owed to the Government of Liberia for the fiscal year 2010/11 (1 July 2010 to 30 June 2011). The chain of custody operator threatened to resign by the end of April 2011 in the absence of sufficient funding to help to cover revenue shortfalls. According to a draft report of the Liberia Extractive Industries Transparency Initiative, natural resource companies reported paying the Government of Liberia \$69.7 million for the fiscal year 2009/10.

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I. Introduction

1. By resolution 1521 (2003), the Security Council imposed sanctions on exports of arms and ammunition to Liberia, a travel ban on individuals identified as constituting a threat to peace in Liberia, and sanctions on diamond and timber imports from Liberia. By resolution 1532 (2004) the Council imposed an assets freeze on Charles Taylor and his associates. The Council has since lifted the sanctions on timber and diamonds and has modified the arms embargo, most recently by resolution 1903 (2009), which resulted in limiting the arms embargo to non-State entities and individuals in Liberia. By resolution 1961 (2010), the Council renewed the travel ban initially imposed under paragraph 4 (a) of resolution 1521 (2003) for a further period of 12 months and recalled that the freeze on the assets of designated individuals and entities imposed by paragraph 1 of resolution 1532 (2004) remained in force.

2. By resolution 1961 (2010), the Security Council extended until 16 December 2011 the mandate of the Panel of Experts on Liberia to investigate and report on the relevant sanctions measures. The Council has specifically requested the Panel to monitor possible violations of the arms embargo and travel ban and to assess the impact and effectiveness of the assets freeze. The Panel was also mandated to identify and make recommendations regarding areas where the capacity of Liberia and States in the region can be strengthened to facilitate implementation of the travel ban and assets freeze, and to assist the Committee established pursuant to resolution 1521 (2003) in updating the publicly available reasons for listing for entries on the travel ban¹ and assets freeze² lists of the Committee.

3. In addition, the Council has mandated the Panel to assess the contribution of forestry and other natural resources to peace, security and development in Liberia within the context of Liberia's evolving legal framework; and to assess the Government of Liberia's compliance with the Kimberley Process Certification Scheme and to coordinate with the Kimberley Process in that assessment.

4. In a letter dated 17 February 2011 addressed to the President of the Security Council (S/2011/78), the Secretary-General announced the reappointment of Wynet Smith (Canada, natural resources expert and Coordinator) and the appointment of two new experts, Christian Dietrich (United States of America, finance expert) and Augusta Muchai (Kenya, arms expert).

5. The present document is the midterm report of the Panel of Experts requested by the Security Council in paragraph 6 (f) of resolution 1961 (2010), summarizing the Panel's observations and conclusions for the period from mid-March to the end of April 2011.

II. Methodology and collaboration with stakeholders

6. The Panel convened in New York during the week of 14 March 2011 and held various meetings and prepared its workplan for the coming months. The Panel

¹ The list is available from the Committee's website: www.un.org/sc/committees/1521/tblist.shtml.

² The list is available from the Committee's website: www.un.org/sc/committees/1521/aflist.shtml.

conducted its first mission to Liberia from 29 March to 13 April 2011 and intends to conduct a second visit during the month of May 2011.

7. During its first mission to Liberia, the Panel prioritized a field trip to the Liberian counties bordering Côte d'Ivoire given the evolution of the Ivorian conflict at that time and concerns regarding movement of people and goods across the border. The Panel also focused on the cross-border movement of combatants, including both the recruitment and return of Liberian mercenaries fighting in Côte d'Ivoire. The Panel views the possible movement of combatants from the Ivorian conflict into the Liberian counties of Grand Gedeh, River Gee and Maryland as a threat to peace and security in Liberia, and as a possible source of arms embargo violations.

8. The Panel visited the main towns and key border crossing points in Grand Gedeh, River Gee and Maryland Counties during the period from 3 to 11 April 2011. The Panel visited Tempo Town and Toe Town in Grand Gedeh, Freetown and Nyakane in River Gee County, and Kablaken, Dakay Town and Pedebo in Maryland County. The Panel was in the area just after the Forces républicaines de Côte d'Ivoire (FRCI) had moved south to San Pedro and Abidjan in Côte d'Ivoire and as they advanced from San Pedro to Tabou, and then north along the Tabou-Grabo-Tai-Guiglo road.

9. The Panel interviewed Liberian officials and military and civilian personnel of the United Nations Mission in Liberia (UNMIL) with a view to identifying cases of violations or attempted violations of the arms embargo. The Panel also interviewed Ivorian refugees and Liberian returnees to assess the possible locations of Liberian mercenaries and militia who had participated in the Ivorian conflict and who were seeking to return to Liberia.

10. The Panel received information and assistance from a wide range of actors both in Liberia and elsewhere. Annex I provides a list of organizations contacted by the Panel in the course of its investigations during the reporting period. The Panel would like to specifically thank the Special Representative of the Secretary-General for Liberia and the staff of UNMIL for their continued collaboration and support.

11. As requested by the Security Council in paragraph 6 (g) and (h) of resolution 1961 (2010), the Panel cooperated with the Group of Experts on Côte d'Ivoire established pursuant to resolution 1946 (2010). The Panel has also written to the Chair of the Kimberley Process indicating its intention to collaborate and coordinate with the Kimberley Process with regard to the assessment of Liberia's compliance with the Kimberley Process Certification Scheme. During the second half of its mandate, the Panel intends to cooperate actively with the Groups of Experts on Côte d'Ivoire and the Democratic Republic of the Congo established pursuant to resolutions 1980 (2011) and 1952 (2010), respectively.

III. Recent developments in Liberia and the region

12. The situation in Liberia is relatively calm but the political and security context remains fragile. The challenges surrounding the establishment of security sector institutions and the administration of justice pose the most serious challenges for consolidating peace and stability.

13. During the period under review, the situation in the south-east of Liberia was of particular concern given the various incidents in Côte d'Ivoire and the influx of refugees into Liberia. The Panel interviewed many refugees who had crossed into Grand Gedeh, River Gee and Maryland Counties to escape fighting and reprisals. For example, refugees in Maryland County reported pro-Ouattara forces in the area of Tabou summarily executing young men. Refugees in Grand Gedeh reported similar incidents that had occurred when the town of Toulépleu fell to FRCI.

14. The Panel observed that Liberian law enforcement agencies lacked the capacity not only to patrol the porous borders but also to control effectively the entry of all the refugees, Liberian returnees and third-country nationals flowing into Liberia at the time. The Government had moved members of the Emergency Response Unit and Border Patrol officers from the Bureau of Immigration and Naturalization to various key border sites in response to incidents and general concern to provide support to regular officers of the Bureau of Immigration and Naturalization and Liberia National Police officers.

15. The Panel interviewed a number of officers of the Bureau of Immigration and Naturalization, the national police and the Emergency Response Unit, who acknowledged that they were understaffed and lacked adequate infrastructure and facilities: communication equipment, vehicles and petrol in some cases, computers and scanning machines. The officers mentioned that there were numerous crossing sites that suspicious individuals might utilize instead of official sites that would require inspection and registration. The unofficial and illegal crossing sites could also be used for arms and ammunition trafficking.

16. Some officers informed the Panel that sensitization was under way to allow them to distinguish between genuine refugees and armed elements. Inspections of refugees' baggage were conducted manually and, with the large numbers arriving at the time, the Panel noted the difficulties the officers faced in ensuring that no illegal arms, drugs or any other illegal goods were trafficked by criminals wishing to take advantage of the crisis in Côte d'Ivoire.

IV. Arms embargo

17. As noted, the Panel focused its initial efforts on examining the impact of the crisis in Côte d'Ivoire on the security situation in Liberia and on identifying violations of the arms embargo. This section discusses information on the movement of military personnel and mercenaries in the region and reports on some specific incidents of violations and attempted violations of the arms embargo. The section also provides a brief update on recent developments with regard to Liberia's small arms legislation.

A. Transborder movement of Ivorian military personnel and Liberian mercenaries

18. The Group of Experts on Côte d'Ivoire recently estimated that 4,500 mercenaries were hired and deployed in Côte d'Ivoire by the former President, Laurent Gbagbo (S/2011/272, para. 47). Those mercenaries originated primarily in Nimba and Grand Gedeh Counties in Liberia, and there was a marked surge in

recruitment between November 2010 and February 2011. The mercenaries arrived in Côte d'Ivoire in civilian attire, and were then provided with cash, weapons and, in some cases, uniforms.

19. Recruitment appears to have continued beyond February 2011. For example, Liberian officials informed the Panel that, on 30 March 2011, a group of approximately 14 men were arrested in Sanniquellie, Nimba County, allegedly having been recruited to take part in the conflict in Côte d'Ivoire. After an initial investigation by Liberian authorities, it appears that the men were recruited by an unidentified man in Karnplay and had attempted to cross the border into Côte d'Ivoire at Loguatu, Nimba County.

20. The advance of FRCI corresponded to the movement into Liberia of pro-Gbagbo combatants seeking refuge. The Panel received information from a variety of sources in south-eastern Liberia that groups of pro-Gbagbo Liberian mercenaries had returned from Côte d'Ivoire into Grand Gedeh, River Gee and Maryland Counties. The Panel continues to investigate the activities of those mercenaries, some of whom have presumably lived in Moyen-Cavally, western Côte d'Ivoire, since the Liberian civil war.

21. The Panel has received the names of several former generals of the Movement for Democracy in Liberia (MODEL) who have recently returned from Côte d'Ivoire to Grand Gedeh and Maryland Counties. For example, the ex-MODEL General Isaac Chegbo, who was known under his nom de guerre "Bob Marley" in Côte d'Ivoire, was arrested in Zwedru, Liberia, on 13 April 2011, and transferred to Monrovia. Chegbo was released in Monrovia on 23 April 2011. The Panel is continuing to examine this case and notes that the non-governmental organization Human Rights Watch has compiled witness testimony on the involvement of a mercenary commander using the name Bob Marley in crimes against humanity in Côte d'Ivoire.³

22. On 1 April 2011, 95 people crossed from Côte d'Ivoire using the commercial ferry at the Pedebo-Prollo border crossing point near Harper, Maryland County (see para. 37 for further details). They were detained at Harper prison until their status could be ascertained. The screening of the group of men being detained at Harper prison was completed on 7 April 2011 and their documents were then sent to Monrovia for further assessment.

23. UNMIL officials have informed the Panel that seven Liberians in that group were charged as mercenaries. One individual in the group is alleged to be a former MODEL general involved in the Ivorian conflict. The Harper Magisterial Court acquitted the seven individuals during a preliminary hearing on 20 April 2011, but three were re-arrested at the Royal Motel in Harper before being later released again. The Panel intends to investigate this case further, and has reviewed a logbook carried by one of the individuals listing the names of platoon commanders and soldiers, as well as armaments carried by those individuals.

24. The Panel received witness testimonies concerning the presence of Liberian mercenaries in western Côte d'Ivoire, with specific references made to "Group Lima". The Panel is investigating whether this is the same group of Liberian

³ Human Rights Watch, "Côte d'Ivoire: Ouattara Forces Kill, Rape Civilians During Offensive", 9 April 2011; available from www.hrw.org/en/news/2011/04/09/c-te-d-ivoire-ouattara-forces-kill-rape-civilians-during-offensive.

mercenaries that was referred to in previous reports of the Panel, notably S/2003/498 (paras. 56-57), S/2006/976 (paras. 190-192) and S/2007/340 (para. 188). The Panel noted in 2003 that the Nicla refugee camp near Guiglo, in Moyencavally, Côte d'Ivoire, had become a main pool for recruitment of Liberians into Group Lima and possibly MODEL. The former Lima Chief of Staff, Amos Cheaye, was seen in a vehicle attempting to conscript Liberian refugees in Nicla. The Panel had estimated the strength of Group Lima to be around 1,000 fighters, many of whom were well armed. Those mercenaries had initially been recruited by the Government of Côte d'Ivoire in December 2002, using Lima to denote the radio call-sign "L" for Liberia.

25. The Panel noted in 2006 that, while many ex-combatants worked in the informal agricultural sector, they remained ready to be called on for combat, owing to economic imperatives. Such networks were based upon arrangements made in 2003 when individuals such as Payee Dowah (also known as John Garrant) and Alfonso Zaiyee were recruiting for MODEL/Lima in southern Côte d'Ivoire (S/2006/976, para. 191). The Panel had cited the Ivorian town of Toulépleu as the nerve centre of Group Lima, and had named the sous-préfet militaire, Jean Oulai Delafosse, as the leader of Lima. The Panel had termed the Group "Lima forces spéciales", and had cited the commencement of a disarmament process in Côte d'Ivoire for militia groups.

26. In the same report (S/2006/976, paras. 208-212), the Panel reported that militia fighters had surrendered weapons, but remained sceptical as to the possible outcome of the disarmament process. Concurrently, the Panel had referenced examples of the shortcomings of the rehabilitation and reintegration process in Liberia in 2005 and 2007 (S/2005/745, para. 143, and S/2007/689, paras. 145-153), noting worrisome tendencies for ex-combatants in Liberia to maintain ties with their former commanders. The current Panel received information during its field mission in April 2011 that supports those earlier findings.

27. During April 2011, various witnesses stated that Group Lima was preying upon civilians of any political disposition as remnants of the group, numbering over 100 individuals, headed from Tabou north towards the town of Tai. The Panel received information suggesting that members of Group Lima had also been among the 95 people cited above who were stopped in Pedebo, Maryland, and transferred to Harper. The Panel observes that Group Lima might have splintered into smaller factions, and is seeking to cross, or has already crossed, into Liberia in search of a safe haven.

28. On the basis of continuing information from sources in the field, the Panel is of the view that those Liberian districts that could be used as safe havens for returning mercenaries are Glaro in River Gee County, and both Tchien and Konobo in Grand Gedeh County. The Panel visited two of those districts, and interviewed an Ivorian individual in Glaro district whose brother, according to two sources, served as one of former President Gbagbo's leading generals. The Panel will continue to investigate the activities of this individual in Liberia.

29. The Panel was informed on numerous occasions that the military personnel of the Forces armées nationales de Côte d'Ivoire (FANCI) aligned to the former Gbagbo government fled advancing FRCI forces in southern and western Côte d'Ivoire, a reality that was largely confirmed during the rapid movement of FRCI to Abidjan in the lead-up to the capture of Gbagbo. The Panel is concerned that fleeing

FANCI forces could either have entered Liberia as refugees or found safe haven in remote rural locations, especially in Grand Gedeh, River Gee and Maryland Counties. Reports and witness testimonies concerning summary executions of civilians based on ethnic affiliation carried out by FRCI in Ivorian towns bordering Liberia would suggest that fleeing FANCI forces, even if disguised in civilian clothes, would seek safety in Liberia, at least initially. The Panel received reports of only a handful of Ivorian soldiers, including gendarmerie, who were detained by the Liberian authorities in Maryland County. Suspected locations of larger numbers of former FANCI soldiers, including officers, remain unconfirmed.

30. In Grand Gedeh, River Gee and Maryland Counties, the Panel came into contact with young men who admitted to having served as combatants in Côte d'Ivoire or who raised the Panel's suspicion that they had acted in this role. In two instances, such groups of young men preferred to remain near border crossings and not register with the Liberian authorities, and chose not to participate in programmes established by the Office of the United Nations High Commissioner for Refugees (UNHCR) to provide refugee assistance in secluded areas away from border crossings. UNMIL staff in Maryland and River Gee Counties informed the Panel that, on two occasions in April 2011, such groups of young Ivorian men had been seen purchasing Liberian cellphone cards, and had also sought to locate money-transfer institutions.

31. The Panel is concerned that remnants of FANCI forces who fled FRCI initially could seek to coalesce or regroup in remote locations of Grand Gedeh and River Gee beyond the oversight of Liberian governmental authorities or UNMIL, although their further intentions remain unclear. The possibility of reprisal attacks launched by those individuals from Liberia into Côte d'Ivoire, and likely counter-attacks as a result, remains a concern, especially given the porosity of Liberia's border and the many unmonitored and unofficial border crossing points. The joint operations of FANCI and Liberian mercenaries in Côte d'Ivoire, as well as ethnic cohesion among populations of Grand Gedeh (Liberia) and Moyen Cavally (Côte d'Ivoire), suggest that fleeing FANCI could be co-mingled with mercenary groups returning to Liberia. This might further diminish the capacity of Liberia to absorb or reabsorb Liberian combatants. The refugee populations in Liberia, both official and unofficial, could also serve as safe havens for former Ivorian military personnel, which in turn might draw the attention of FRCI troops operating along the Ivorian border with Liberia.

32. The Panel shared information with UNMIL concerning this situation, as well as with the Group of Experts on Côte d'Ivoire and the Integrated Embargo Cell of the United Nations Mission in Côte d'Ivoire. The Panel understands that there is a tangible link between the activities of Liberian mercenaries and sources of financing, both in their initial recruitment and arming, and possibly in their current activities. The Panel has received information that bank transfers as well as informal money changers could be used by such militia to prepare for future operations, or finance illicit purchases of arms or ammunition, and could indicate the future intentions of these Liberian returnees. Similarly, the Panel will further examine the possible sale of goods looted in Côte d'Ivoire and brought to Liberia.

B. Violations and attempted violations of the arms embargo

33. While there is general concern about refugees entering Liberia with arms and ammunition — especially the security forces of the former Gbagbo regime and returning Liberian mercenaries — the situation is difficult to monitor given the porous border between Côte d'Ivoire and Liberia and the fact that individuals or small groups can cross the border at various sites where there are no official crossings. However, during its field mission and subsequent inquiries, the Panel has been able to confirm a number of incidents during the period February-April 2011 involving attempts to bring weapons and ammunition into Liberia from Côte d'Ivoire.

34. Liberian and UNMIL officials informed the Panel that, on 6 March 2011, Ivorian soldiers (approximately 15-25) attempted to cross from Côte d'Ivoire into Liberia at Toe Town, Grand Gedeh County, the only border crossing in the south-east with a bridge. The soldiers were reportedly armed with AK-47 rifles and at least one large weapon. Officials reported that a few of the soldiers crossed the border and requested that the Liberian security officials allow them to pass through Liberia so they could cross back into Côte d'Ivoire via Maryland County, as the main roads to San Pedro and Abidjan had been cut off by FRCI. Liberian officials were prepared to allow the FANCI soldiers to enter Liberian territory provided they surrendered their weapons and ammunition. The Ivorian security forces were reported to have changed their mind when UNMIL troops arrived, and the Ivorians returned across the border to Côte d'Ivoire.

35. Liberian officials informed the Panel that, on 7 March 2011, Liberian security agencies at the Bhai Nikko Jorzon crossing point in Grand Gedeh found three Ivorian individuals in possession of a few rounds of AK-47 ammunition and three full AK-47 magazines during luggage checks of Ivorian refugees. The three men, suspected to be pro-Gbagbo soldiers, were separated from the rest of the refugees for further screening.

36. Liberian and UNMIL officials also informed the Panel that, on 9 March 2011, local people in Pokor Town near Toe Town in Grand Gedeh County turned in a bag containing an AK-47 rifle, an empty magazine, a few hundred loose rounds of AK-47 ammunition and a few rounds of M-16 rifle ammunition. The man who was seen by the villagers with the weapons reportedly fled the area. On 28 March 2011, two Ivorians and one Liberian were arrested at Tempo border crossing point near Zwedru, Grand Gedeh, in possession of a hand grenade and assorted ammunition.

37. Some of the 95 people crossing at the Pedebo, Maryland County, border crossing on 1 April 2011 (see para. 22), were in possession of six 4-wheel-drive vehicles, allegedly looted goods, ammunition, and an Ivorian military uniform. When the men were detained, their vehicles, ammunition and goods were impounded. The Panel obtained photographs of ammunition carried by one or more of the detained individuals (see figure).

**Ammunition confiscated from individuals arrested at Pedebo border crossing,
1 April 2011**



Source: United Nations Mission in Liberia.

38. On 5 April 2011, three unarmed men in civilian clothes claiming to be former Ivorian soldiers seeking refugee status reported to the Bureau of Immigration and Naturalization office in Pleebo, Maryland County, and were referred to the UNHCR office for registration. According to UNMIL sources, four Ivorian refugees were arrested near the Pedebo border crossing point for possession of ammunition on the same day.

39. According to UNMIL officials at Fish Town, two individuals were arrested on 19 February 2011 by the national police at Killipo-Kanweaken in River Gee County. The officers were conducting routine checks when they intercepted a truck belonging to a road construction company and discovered that the truck was carrying 11 single-barrel shotguns, 3,000 rounds of shotgun ammunition, and two bags of marijuana weighing 15 kilograms each (see annex II). The driver reported that two passengers had boarded his truck with the seized items. Police officers arrested the two suspects; one suspect admitted that he was the owner of the ammunition but denied ownership of the shotguns. He indicated that he had purchased ammunition from a Nigerian businessperson residing in Ganta, Nimba County, and that he was intending to sell the rounds to hunters in Kanweaken. The other suspect admitted ownership of marijuana but did not reveal the source. The police continue to investigate the case.

40. Various sources informed the Panel that the use of hand-made pistols and single-barrel shotguns continues to be widespread in the country. The single-barrel shotguns appear to be used mainly for hunting. The Panel has been informed of the following types of cases: imported single-barrel guns, arrests of individuals with single-barrel guns, and incidents involving small arms and reports of the use of guns in robberies. There are also some reports that point to a potential link between drugs

and guns, as described in the previous paragraph. The Panel intends to investigate these cases further and provide more details in its final report.

C. Update on legislation

41. Legislation on small arms and light weapons has yet to be promulgated. A draft National Firearms Control Act, originally developed in 2006, has not been brought to the legislature but is under review, according to information gathered from UNMIL and Government officials.

42. On 26 October 2010, the Government of Liberia issued Executive Order No. 28 requiring registration of illegal arms (see annex III). Initially, there was a requirement to pay fees for registration and those involved were not eager to make such payments. The registration fees were later waived and it is anticipated that a majority will comply. The Panel will follow up on this during its next mission to Liberia to establish the effectiveness of the registration process, and the overall compliance with the arms embargo.

V. Travel ban and assets freeze

43. The Committee approved a list of individuals subject to travel restrictions pursuant to paragraph 4 of resolution 1521 (2003) on 16 March 2004. It approved a list of individuals and entities subject to an assets freeze pursuant to paragraph 1 of resolution 1532 (2004) on 14 June 2004. The travel ban list currently contains the names of 45 individuals, and the assets freeze list cites 22 individuals and 30 entities.

44. The Panel has begun to follow up on information contained in its archives concerning the possible location(s) of individuals subject to the travel ban, as well as possible assets linked to individuals and entities cited in the assets freeze list. The Panel also requested several Member States to provide responses to the Panel's outstanding queries regarding individuals on the travel ban list, and regarding individuals and entities on the assets freeze list. At the time of writing, the Panel is preparing a more exhaustive set of letters to States to seek information on those individuals and entities.

45. The Panel plans to use its second mission to Liberia in May 2011 to more adequately ascertain Liberian efforts to implement the travel ban. This will also include an assessment of any progress made by the Government of Liberia in freezing assets previously identified by the Panel.

46. During its mission to Liberia, the Panel queried officers of the Bureau of Immigration and Naturalization stationed at border posts about violations of the travel ban. The officers did not have copies of the travel ban list,⁴ and were mostly unaware of its contents.

47. The Panel notes that the travel ban and assets freeze lists were last updated on 16 December 2009. Some information that the Panel previously reported to the Committee regarding individuals subject to the travel ban has not been reflected in

⁴ The list is available from www.un.org/sc/committees/1521/tblist.shtml.

the list. For example, the place of birth, date of birth, current passport details and current address of three individuals on the list, Slobodan Tešić, Orhan Dragaš and Jovan Aleksic, were supplied by the Panel (S/2010/319, table 4), but those details are not yet reflected in the travel ban list. The Panel notes that the individual cited on the travel ban list as “Aleksic Jovan” incorrectly confuses his surname and the family name, and he should instead be cited as Jovan Aleksic.

48. Other information contained in previous reports of the Panel that could be added to the travel ban list might include details supplied by the Panel in December 2009 (see S/2009/640, para. 162) for the individual named Joseph Wong Kiia Tai. The Commercial Affairs Department of the Government of Singapore had informed the Panel that this individual was known as Joseph Kiia Wong, and he was listed as a director of two companies, for which business addresses were cited in the Panel’s report. Furthermore, the Panel previously cited the details of passports issued to Jewel Howard Taylor and Tupee Enid Taylor, and their places of birth (*ibid.*, para. 119), which have not been incorporated into the travel ban or assets freeze lists. Inclusion of the alias used by Benjamin Yeaten, reported previously as James Diah (see S/2007/340, para. 186), might assist States in identifying the possible international movement of this individual.

49. The Committee granted a travel ban waiver to Jewel Howard Taylor for a trip to Accra for medical reasons from 11 to 30 March 2011. She provided a copy of a new Liberian passport numbered D/000433, issued on 5 October 2010 and with an expiration date of 4 October 2012, the details of which could be added to the updated assets freeze and travel ban lists. At the National Patriotic Party (NPP) convention in March 2011, delegates elected Bong County Senator Jewel Howard Taylor as its standard bearer. NPP partisans also confirmed their approval of joining the National Democratic Coalition.

50. The Panel has located additional indicators for Sanjivan Ruprah, who is cited in the travel ban and assets freeze lists. The Belgian non-governmental organization International Peace Information Service, under an article entitled “Sanjivan Ruprah/US Government letters” published on 13 October 2003, provides a copy of a Ruprah passport that has not been cited in the assets freeze or travel ban lists: passport of the United Kingdom of Great Britain and Northern Ireland No. 790015037, which was issued on 10 July 1998 and expired on 10 July 2008. The passport cites his name as Sanjivan Singh Ruprah, with a birthplace of Kisumu, Kenya. The British Embassy in Kinshasa issued the passport prior to the Liberian travel ban. The documentation for the International Peace Information Service article was sourced from Italian authorities following Ruprah’s arrest in Italy in 2002. The Panel has archived an electronic copy of the passport so that the photograph might be applied to the travel ban and assets freeze lists.

51. The United Nations liaison office of the International Criminal Police Organization (INTERPOL) has assisted the Panel in identifying information useful for updating the assets freeze and travel ban lists. INTERPOL had previously provided a report to the Panel on 3 June 2009 with information on six individuals, five of whom are still on the travel ban, and four of whom are on the assets freeze list, and four companies, all of which are currently on the assets freeze list. This information provides several indicators that do not feature in the Committee’s travel ban and assets freeze lists. At the time of writing, INTERPOL was preparing an updated report. The INTERPOL data could be incorporated into the travel ban and

assets freeze lists pending verification by INTERPOL with countries that have supplied the data to ensure that this would be acceptable to them, subject to the Committee's agreement. Such additions to the Committee's lists would enhance existing indicators for certain individuals and entities.

52. In its report of 5 June 2009 (S/2009/290, para. 194) the Panel recommended the use of INTERPOL, at the request of the Committee, to disseminate Special Notices to alert law enforcement authorities worldwide concerning individuals subject to United Nations sanctions. The Panel has been informed by INTERPOL that no such Special Notices have been issued for those individuals listed on the travel ban list. The issuance of INTERPOL-United Nations Special Notices requires minimum criteria in one of the following combinations: (a) Family name/name/full date of birth; (b) name/full date of birth/photograph (of good quality); (c) family name/date of birth (year)/photograph (of good quality); (d) name/date of birth (year)/fingerprints; (e) family name/date of birth (year)/fingerprints; (f) name/date of birth (year)/DNA; and (g) family name/date of birth (year)/DNA.

53. Currently, indicators for 31 out of 45 individuals on the travel ban list would pass this minimum standard. The issuance of Special Notices for those individuals, and the collection of indicators for the remaining individuals, could improve the implementation of the travel ban. Currently, the list remains of limited effect since it will not appear in any global electronic database to alert police and Customs agencies, and will be useful only for those individual countries that have incorporated the names into their national databases. The use of a 14-page hard copy of the travel ban list at major international airports, unlike remote Liberian border crossing points that lack computer access, is not an effective solution.

54. The Panel further notes that the greater the number of indicators included on the travel ban list, the more useful this list could be for law enforcement agencies worldwide. Beyond the minimum requirements listed above for Special Notices, many important indicators are missing for most of the individuals cited in the travel ban list. Law enforcement officials often require five basic indicators, including the first name, last name, date of birth, place of birth, and sex — identifiers that are, for example, included in passports. None of the individuals cited on the travel ban list are distinguished by sex, although this could be quite easily ascertained. However, in respect of the other four identifiers, all four of the categories are provided for only 6 of the 45 individuals cited in the travel ban list; and these requirements are met for only 4 of 22 individuals in the assets freeze list.

55. The most common omission is the place of birth. For many of the individuals on the travel ban list, the most obvious country of birth would be Liberia, but this information is not provided, and the actual city or county within Liberia is also lacking. As such, the usefulness of the list is limited for those law enforcement officials who may not be aware of the prominence within a regional context of certain individuals on the travel ban list. For example, that an individual is elected to office in one country may not exclude the possibility of the same individual's having a place of birth in another country, and having dual nationality; moreover, possession of a diplomatic passport from one country does not require sole citizenship in that country.

VI. Natural resources

56. The Panel has initiated investigations in a number of areas to update its assessments of the Government of Liberia's implementation of the Kimberley Process Certification Scheme and the contribution of forestry and other natural resources to peace, security and development in Liberia within the context of the country's evolving legal framework.

57. Since 2006, Liberia has enacted a number of new pieces of legislation relating to natural resources. These laws include provisions for competitive and transparent concession allocation processes; revenue/payment transparency; public participation and access to information; and benefit sharing. The laws also incorporate the Kimberley Process system of internal controls, and include the National Forestry Reform Law of October 2006, the adoption of which was the criterion for the Security Council to lift the sanctions on timber. Another important piece of legislation, the Act Establishing the Liberia Extractive Industries Transparency Initiative, was approved in July 2009. This midterm report provides an update on some of these important governance mechanisms for natural resources; the Panel will provide its assessments in its final report.

A. Update on the diamond sector

58. With its adoption of resolution 1753 (2007), the Security Council lifted sanctions on the import of Liberian rough diamonds. Liberia has been a participant in the Kimberley Process since 4 May 2007 and began to export diamonds during September 2007. Specific requirements of the Kimberley Process Certification Scheme include issuance of certificates for each shipment; internal controls for both export and import of rough diamonds; maintenance and reporting of statistics; and cooperation and transparency.

59. The Government Diamond Office issued 68 Kimberley Process certificates from 1 January to 31 December 2010, authorizing the export of almost 22,762 carats of rough diamonds valued at over \$15.6 million (see table 1). The Government earned over \$356,000 in royalties from those rough diamond exports.

Table 1
Summary of Liberian rough diamond exports for 2010

(Value in United States dollars)

Carats	22,761.85
Export value	15,634,510.86
Average value per carat	686.87
Average monthly export (carats)	1,896.82
Average monthly export (value)	1,302,875.91
Certificates processed	68

Source: Liberia, Government Diamond Office.

60. The majority of Liberia's rough diamond exports go to States members of the European Union, which accounts for over 14,000 carats and over \$13 million of the total exports in terms of carats and value. Hong Kong, Israel, and South Africa all imported more than 1,000 carats each. Smaller volumes went to Australia, India, Switzerland, United Arab Emirates and the United States.

61. At the end of March 2011, Liberia submitted the required annual report to the Kimberley Process for 2010. As noted, the Panel is in communication with the Kimberley Process regarding Liberian implementation and will provide an assessment on implementation in its final report.

62. The Panel notes that Ian Smillie, a long-time participant and observer of the Kimberley Process, has reviewed the Government of Liberia's report. Mr. Smillie states that the Government's 2010 annual report raises serious questions about the management of the Liberian government authorities mandated with implementing the Kimberley Process Certification Scheme and the entire diamond industry in the country, and concludes that the report poses a serious threat to Liberian compliance with the Kimberley Process Certification Scheme (see annex IV to the present report).

63. Mr. Smillie states that the most troubling issue is the significant increase in value of exports with no increase in the volume and the "incredible increase" in the per carat average value of exports (see table 2). He notes that the average export value per carat was more than double the figure for 2009 of any Kimberley Process member country with the exception of Lesotho. Historically, however, Liberia has been an exporter of low-value goods and the explanation of the Government of Liberia for this increase in value "does not sufficiently substantiate the government data". He also states that the increase in export value "suggests that large quantities of low value diamonds are not being legalized at the export stage", which supports concerns raised by the Panel in previous reports. The Panel will continue to investigate these issues.

Table 2
Changes in Liberian diamond exports, 2007-2010

<i>Year</i>	<i>Volume (carats)</i>	<i>Percentage change</i>	<i>Value (United States dollars)</i>	<i>Percentage change</i>	<i>United States dollars per carat</i>	<i>Percentage change</i>
2007	21 699.74		2 657 541		122.47	
2008	47 006.54	+116.6	9 891 785	+272	210.43	+71.8
2009	27 731.85	-41.0	9 125 637	-7.7	329.07	+56.4
2010	22 761.85	-17.9	15 634 510	+71.3	686.87	+108.7
4-year percentage change		+4.9		+488		+560.8

Source: Ian Smillie, "Comments on Liberia's 2010 report to the Kimberley Process", unpublished paper, April 2011 (annex IV to the present report).

64. The Panel notes that there is a new team of officials in the Ministry of Lands, Mines and Energy and that they have been focused on other issues. From preliminary discussions with involved stakeholders, it appears that little action has been taken on implementation of the Kimberley Process and Panel recommendations

since December 2010. The Panel is aware that the Presidential Task Force on Diamonds has not met for many months and that there has been no formalization of the precious minerals oversight committee.

B. Update on the forestry sector

65. Liberfor, the chain of custody system for the forestry sector, is a tool designed specifically to ensure that forestry sector fees are paid and reported correctly. The Société générale de surveillance (SGS), a Swiss-based company, was contracted by the Government of Liberia to establish and run the Liberfor project for an initial period. Accordingly, SGS invoices — via the Liberfor project — forestry companies on behalf of the Government of Liberia. As at 29 April 2011, Liberfor records indicate that companies with forest management contracts had been issued invoices totalling just over \$15 million for area-based fees for the fiscal year 2010/11 (1 July 2010-30 June 2011) (see annex V). As at the same date, companies had paid only \$1.486 million of this amount, and a total of \$13.7 million was still owed to the Government of Liberia. Companies with timber sales contracts and small private use permits had paid over \$382,000 out of \$490,000 invoiced through Liberfor for the same period (see annex VI).

66. Most forestry companies with forest management contracts (over 50,000 hectares), timber sales contracts (up to 5,000 hectares) and private use permits have been conducting inventories and preparing for operations. However, only two out of seven forest management contract holders had commenced logging operations as at the end of April 2011, and companies were logging in only three out of nine timber sales contracts. Companies had also started logging in two out of three private use permits, which grant logging rights to companies that have obtained the consent of private land owners. No further logging is likely until late 2011 given the commencement of the rainy season.

67. SGS is paid for its operation of the Liberfor system through a percentage of the revenues earned from fees charged to companies for stumpage, the volume of timber felled, and the volume of timber exported. Between 1 July 2010 and 27 April 2011, Liberfor invoices for two forest management contract holders totalled \$466,099 in stumpage fees and \$515,062 in export fees on the 28,923 cubic metres of wood exported from Liberia (see annex V). In addition, Liberfor invoiced companies with timber sales contracts and private use permits a total of \$138,214 in stumpage fees, of which \$103,558 has been paid. Those companies had also paid \$133,758 in export fees on the 2,675.5 cubic metres of wood exported during that period (see annex VI).

68. While these values show progress compared to the previous two years, the revenues are still inadequate to meet the operating costs of the system. While SGS has been conducting inspections on blocks inventoried by companies over the past number of months, no significant revenues were forthcoming given that most companies had not then commenced logging operations. As a result of the lack of revenue flow, the company has been able to inventory only 60 to 70 per cent of the area inventoried by companies. The SGS manager noted that the lack of revenue flow affects the core function of the Liberfor system as it is not possible to provide a guarantee of 100 per cent compliance under these conditions.

69. The slow progress in the forestry sector and the lack of revenues to fund the chain of custody system has resulted in donors funding the system for past the two years. The United States Agency for International Development paid \$1.3 million in 2008 and the Government of Liberia, the World Bank and the United Kingdom paid \$1.3 million for 2009/10. The Project Manager of the Société générale de surveillance informed the Panel on 13 April 2011 that the company lost \$350,000 in 2010 and anticipates a shortfall of \$750,000 in 2011 because of the low volume of wood being logged by the forestry companies. The company has applied for funding from the United Kingdom Department for International Development (DFID) for the calendar year 2011.

70. SGS indicated it was prepared to submit its resignation at the end of April 2011 if the company did not receive that funding, as it was not prepared to continue to operate at a loss. The Panel contacted DFID and the World Bank, whose representatives responded that the funding had been received from DFID by the World Bank, and that the Bank was undertaking to dispense the funds as quickly as possible.

71. Liberia and the European Union signed a legally binding comprehensive agreement to control illegal logging and improve forest sector governance in Liberia on 9 May 2011. The trade agreement is known as a Voluntary Partnership Agreement under the European Union Forest Law Enforcement, Governance and Trade Action Plan. Implementation of the agreement will require that only timber verified as legal will be exported to the European Union. The agreement should also help to ensure that local communities will obtain benefits and have their rights recognized.⁵

C. Update on the Liberia Extractive Industries Transparency Initiative

72. One of the requirements of the Liberia Extractive Industries Transparency Initiative (LEITI) is the production of an annual report that must include material payments made to the Government by companies in the mining, oil and, in the case of Liberia, agriculture and forestry industries. LEITI is in the process of finalizing its third reconciliation report covering the fiscal year 2009/10 (1 July 2009-30 June 2010). The report was prepared by a commissioned independent auditing firm. The auditors undertook the collection, analysis and reconciliation of data from 1 November to 16 December 2010 and presented their initial findings to the Multi-Stakeholder Group of LEITI. The report has not yet been finalized and the Panel does not know the date of its release.

73. The summary of the draft report of the auditors indicates that 121 taxpayers in the mining, oil, agriculture and forestry sectors made payments to the Government of Liberia. However, only 71 taxpayers filled in and submitted templates to the independent auditors while no templates were received from 50 taxpayers. The reported payments total \$69.7 million while reported revenues of the Government of Liberia were almost \$71.9 million, a difference of over \$2.1 million (see table 3).

⁵ FERN and Sustainable Development Institute, "Liberia and EU sign bilateral trade agreement to stop illegal logging", press release, 9 May 2011; available from www.fern.org/.

Table 3
Payments and revenues reported by companies and the Government of Liberia
for fiscal year 2009/10

(United States dollars)

<i>Sector</i>	<i>Taxpayers</i>	<i>Government</i>	<i>Difference</i>	<i>Percentage difference</i>
Mining	37 082 120	38 382 860	(1 300 740.00)	-3.4
Forestry	11 504 265	12 177 453	(673 188.00)	-5.5
Agriculture	12 098 270	12 299 858	(201 588.00)	-1.6
Oil	9 036 042	9 035 942	100.00	0.0
Total	69 720 697	71 896 113	(2 175 416.00)	3.0
Prior year (2008-2009)	35 280 234	35 425 230	(144 996.00)	0.4

Source: LEITI, Third annual reconciliation report, 2011.

74. The Auditor General of Liberia has issued a report based on an assessment of the 2009/10 revenues from the extractive industries (see transmittal letter in annex VII).⁶ The report criticizes various Government ministries and offices (Ministry of Lands, Mines and Energy, Ministry of Agriculture, National Oil Company of Liberia and the Forestry Development Authority) for having failed to furnish LEITI with assessments on concessionaires and how much has been discharged. The Auditor General also states that LEITI and the Ministry of Finance were not in a position to determine assessments made on concessionaires, revenues paid and outstanding obligations. Furthermore, he reports that his requests to the Ministries for information were largely ignored.

75. The Auditor General concluded that “the integrity of data on collections paid by concessionaires and maintained by [the Ministry of Finance] was largely in doubt” and that he was thus unable to validate collections from companies. The Auditor General urged LEITI officials and the Deputy Minister for Revenue to ensure implementation of his recommended measures “as the deficiencies noted have the propensity to seriously undermine revenue generation efforts of the Government of Liberia”.

76. Green Advocates, a Liberian civil society actor in environmental and natural resources management, published a report in February 2011 that attributes successful implementation of the Extractive Industries Transparency Initiative in Liberia to strong leadership, stakeholders’ commitment and the support of international partners in an inclusive and participatory fashion.⁷ The report identifies numerous good practices for the benefit of other countries, but also highlights serious problems, such as non-cooperation of Government ministries with

⁶ Auditor General of Liberia, *Assessment & Collection of Revenue from Entities within the Extractive Industry in Liberia, Fiscal Year: 2009/10*, Monrovia, 2011; available from www.gacliberia.com/documents/leitii.pdf.

⁷ Green Advocates, *The Good, the Bad and the Ugly: Lessons Learned from the Implementation of the Extractive Industries Transparency Initiative in Liberia, 2006-2011*, Monrovia, 2011; available from [http://resources.renewwatch.org/sites/default/files/EITI-Lesson_from_Liberia-the_good%20_the_bad_the_ugly-Green%20Advocates1\[1\].pdf](http://resources.renewwatch.org/sites/default/files/EITI-Lesson_from_Liberia-the_good%20_the_bad_the_ugly-Green%20Advocates1[1].pdf).

the Auditor General, concerns about a commitment to transparency, and discontinuity in the transition process with changes at the head of the LEITI secretariat, which could undermine Liberia's achievements.

VII. Recommendations

77. With regard to the arms embargo, recommendations contained in paragraphs 166, 167 and 168 of the Panel's last report (S/2010/609) remain valid.

78. The Panel recommends that the Committee update the travel ban and assets freeze lists on the basis of the information contained in previous reports of the Panel and the current report.

79. The Panel recommends again that the Committee explore with INTERPOL the preparation of INTERPOL-United Nations Special Notices for the individuals whose names are contained in the travel ban list.

80. With regard to natural resources the recommendations contained in paragraphs 54 to 56 and 132 to 138 of the Panel's last report (S/2010/609) remain valid.

Annex I

Meetings and consultations held by the Panel of Experts

Liberia

Government

Bureau of Immigration and Naturalization; Liberia National Police, including the Emergency Response Unit; the National Security Agency; the Ministry of National Security; Minister of State for Presidential Affairs.

Private sector and civil society

Société Générale de Surveillance, various mining companies.

Bilateral and multilateral organizations

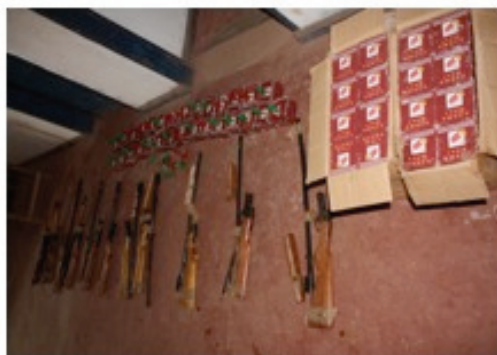
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); Embassy of the United States of America; United Nations Mission in Liberia; World Bank.

United States of America

United Nations Development Programme; Department of Political Affairs and Department of Peacekeeping Operations of the United Nations Secretariat; Peacebuilding Commission Support Office; United Nations Office on Drugs and Crime; International Criminal Police Organization; Permanent Missions of Belgium, France, Lebanon, Liberia, the Netherlands, South Africa, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

Annex II

Arms, ammunition and drugs recovered by the Liberian national police at Killipo-Kanweaken in River Gee County on 19 February 2011



Source: United Nations police, UNMIL.

Annex III

Executive Order No. 28



THE PRESIDENT

REPUBLIC OF LIBERIA

EXECUTIVE ORDER N^o 28

REINSTITUTING TOTAL BAN ON FIREARMS AND AMMUNITIONS

WHEREAS, Executive Order #6 imposed a total ban on the ownership, possession, use, sale or manufacture of firearms, which included all arms of precision such as flintlock guns with unrifled barrels and shotguns, except for single barrel guns used solely for hunting, and

WHEREAS, Executive Order #6 has since expired but there has been no corresponding change in environment which necessitated the promulgation of the said Order and the Government of Liberia continues to be concerned about grave danger to the public and national security, and

WHEREAS, it has become necessary to issue an Executive Order in the public interest to meet the emergency of the proliferation of small arms and ammunition in the country which threatens the health, safety and welfare of our citizens, and

WHEREAS, Liberia, as a member state of ECOWAS, which subscribes to the ECOWAS Convention on Small Arms, which entered into force on September 29, 2009, has the responsibility to properly collect and destroy small arms and light weapons and ammunition

NOW THEREFORE, with the intention of achieving a firearms free Liberia in protection of the public and implementation of relevant Convention of ECOWAS and until such time that appropriate legal and security legislation can be enacted, it is hereby ordered as follows:

1. That for the purposes of this Order, the term "firearm" includes all arms of precision and includes flintlock guns with unrifled barrels and shotguns, except for single barrels guns which shall be used solely for hunting, provided those guns shall be registered with the Ministry of Justice through the office of the Superintendent in each County.
2. That for purposes of this Order, the term "shotgun" means a weapon designed or redesigned or made or remade and intended to be fired from the shoulder, and



designed or redesigned or made or remade to use the energy of the explosive in a fixed shotgun shell to fire through a smooth bore either a number of ball shot or a single projectile for each single pull of the trigger.

3. That no individual, group, organization or entity other than the Government of Liberia may own, possess, or cause to be brought into Liberia any firearm of any type, caliber or design or any ammunition or parts for any firearm, or any tooling equipment intended for the purposes of manufacture, assembly, or re-tooling of firearms of any type. This prohibition includes any firearm previously registered under the provisions of the Firearms Traffic Act of 1956.
4. That any person, group, organization or entity in possession of any firearm, ammunition or part for any firearm or tooling equipment shall deposit same with the headquarters of the Liberian National Police in the County in which the individual, group, organization or entity maintains such possession, within sixty (60) days of the issuance of this Order. The County Headquarters of the Liberian National Police shall issue a receipt to the depositor in respect of that deposit.
5. If in the course of an investigation conducted by the Liberian National Police or any duly constituted law enforcement authority, including but not limited to a search incident to a lawful warrant, discover any weapon banned by this Order, such authority may confiscate the banned firearm or ammunition.

GIVEN UNDER MY HAND AND SEAL OF THE REPUBLIC OF
LIBERIA, THIS 26 DAY OF OCTOBER, A.D. 2010



Ellen Johnson Sirleaf
PRESIDENT
REPUBLIC OF LIBERIA

Annex IV

Comments on Liberia's 2010 annual report to the Kimberley Process by Ian Smillie

1) Summary

Liberia's "ANNUAL REPORT TO KIMBERLEY PROCESS, 2010" raises serious questions about the management of the Liberian government authorities mandated with implementing the Kimberley Process Certification Scheme (KPCS) and the entire diamond enterprise in the country. The report poses a serious threat to Liberian KPCS compliance.

2) Increases in Export Value

The most glaring issue is the enormous increase in the value of exports with no concomitant increase in the volume, and the incredible increase in the per carat average value of exports.

Year	Volume, cts	% change	Value US\$	% change	US\$/ct	% change
2007	21,699.74		2,657,541		122.47	
2008	47,006.54	+116.6%	9,891,785	+272%	210.43	+71.8%
2009	27,731.85	-41.0%	9,125,637	-7.7%	329.07	+56.4%
2010	22,761.85	-17.9%	15,634,510	+71.3%	686.87	+108.7%
4 yr % change		+4.9%		+488%		+560.8%

At US\$686.87 in 2010, Liberia's per carat average export value was more than double the 2009 figure of any KP member country with the exception of Lesotho. Liberia traditionally has been an exporter of low-value goods, and while it is possible that there have been better finds, legitimate increases of this sort would draw world attention.¹ The claim that the rise is "due to high value stones recovered in the western diamonds fields of Liberia" does not sufficiently substantiate the government data.

3) Destinations

According to the report, the main export destinations are as follows (a column showing the per carat average value of the exports has been added):

Participant Country	Volume (Carats)	Value (US\$)	US\$/ct
European Community	14,466.09	13,210,235.73	913
Israel	1,629.25	514,942.54	316
India	136.68	67,458.50	496
South Africa	4,526.56	654,377.36	144
United States	205.63	516,099.51	2,517
Australia	48.33	32,734.50	681
Switzerland	74.87	144,850.00	1931

¹ A comparison of 2008 and 2009 exports broke the figures down by type of diamond. In 2009, "specials" represented 2% by volume and 45% by value. The 2010 numbers suggest an even greater spread: possible, but highly unlikely.

U.A.E.	298.60	132,502.72	444
Hong Kong	1,375.78	361,310.00	262
Total	22,761.79	15,634,510.86	686.87

These numbers suggest that low volumes of very high value diamonds have been shipped to Switzerland and the United States, while the bulk of the high value goods have been shipped to the European Union. The goods going to the EU are almost three times the average value of goods being shipped from most other producing countries.

The increase in export value suggests that large quantities of low value diamonds are not being legalized at the export stage, which suggests that low value Liberian diamonds are being traded illegally within the informal domain.

The report says that Liberia continues to experience a decline in export volumes because of the "downturn in the global economy". In contradiction to that, the demand for rough diamonds has, in fact, rarely been stronger. The recession posed a momentary problem for the industry, but the issue now is a shortage of supply. Overall prices for rough diamonds rose by 27% in 2010 and both De Beers and Rio Tinto reported sales increases of over 50% during the year.

4) Diamond Production

The report contains no details of diamond production. In 2007 and 2008, production numbers were identical to export numbers, and in 2009, the figures were very close, suggesting that the government had no real idea of what volume of diamonds was being produced in the country. A similar problem exists in other countries where KP internal controls are weak – Sierra Leone, Guinea and DRC.

The report says that there are a "large number of illegal migrant field workers" contributing to a possible illicit outflux of Liberian diamonds because of an "unwillingness of Liberian workers to engage in this type of work". That might be plausible if the per carat average value of Liberian exports bore any resemblance to historical norms. At the values cited in the report, however, there should be absolutely no difficulty in attracting Liberians to such a lucrative enterprise. In fact the values indicated in the report suggest that if anything at all is being smuggled out, it is low value goods, leaving Liberia with only diamonds of extraordinarily high value.

There are other possible explanations for the numbers. Most likely, they represent diamonds being smuggled in from other countries. Côte d'Ivoire might be an obvious source, although Ivorian diamonds do not traditionally have a high average value.² It is more likely that they have been smuggled in from Sierra Leone, where per carat averages dropped 16% between 2007 and 2009, but they could in fact originate anywhere, possibly as a money-laundering or tax evasion scheme.

5) Proposed Changes in the Liberian Registration System

The report says that it is difficult for the government to police mining districts, suggesting that miners should be allowed to register recoveries at locations that are "more convenient and secure for them" rather than at the regional centres that were established as part of the basis for Liberia's entry into the Kimberley Process. In fact the regional centres were established precisely in order to allow diggers to register at sites that were at least more convenient than Monrovia. The idea of

² The most recent UN Panel of Experts report on Côte d'Ivoire says that Liberia would not cooperate in the Panel's efforts to determine the possibility of smuggling into Liberia: UN Security Council Report S/2010/179, 12 April 2010, pg. 16

changing the system might make sense, but the explanation given is not clear, and could mean that the Government Diamond Office (GDO) simply doesn't want the cost and effort required to maintain the regional offices. Thus, this proposal seems directed at reducing the little control that is being exerted.

The role and results of supportive instruments such as the Diamond Task Force are not mentioned.

The report says that technical assistance is required because the database established by the US Geological Survey is "out of commission" requiring manual data entry. One might ask about government commitment and why the USGS system is out of commission, and whether the presumed solution – more computer equipment – is really the answer to the problem. Given the very low volumes of production and export (only 68 KP certificates issued at all in 2010), one might even ask why a computerised system is required at all.



None of the proposed changes addresses the questions raised.

*Ian Smillie,
April 19, 2011*

Annex V

Financial update provided by the Société générale de surveillance for companies with forest management contracts, 27 April 2011

Chain of Custody Financial Update
27.04.2011

Company	Contract	Original due date	Fee schedule	FY 2010-2011 Amount Due to GOL	Amount Paid	Outstanding amount due to date (USD)	Stampage Invoiced	Stampage fees paid to date	Export fees Paid to date	Volume Exported (m3)	
Euro Liberia Logging	FMC F	09.17.10	Annual Contract Admin Fee	1'000.00	0.00	1'000.00					
			Area fees	634'175.00	0.00	634'175.00					
			Land rental bid	2'600'117.50	0.00	2'600'117.50					
			B/F from 2009-2010	2'061'882.13	1'300'000.00	761'882.13					
			Late Payment Penalty	161'764.63	0.00	161'764.63					
Total	5'458'939.26	1'300'000.00	4'158'939.26								
ICC	FMC K	09.17.10	Annual Contract Admin Fee	1'000.00	0.00	1'000.00					
			Area fees	667'275.00	0.00	667'275.00					
			Land rental bid	2'815'900.00	0.00	2'815'900.00					
			Late Payment Penalty	174'208.75	0.00	174'208.75					
			Total	3'658'383.75	0.00	3'658'383.75					
Gebbo Logging	FMC I	09.17.10	Annual Contract Admin Fee	1'000.00	0.00	1'000.00					
			Area fees	328'665.00	0.00	328'665.00					
			Land rental bid	1'413'259.00	0.00	1'413'259.00					
			Late Payment Penalty	87'146.20	0.00	87'146.20					
			Total	1'830'070.20	0.00	1'830'070.20					
LITC	FMC C	10.1.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00					
			Area fees	148'435.00	148'435.00	0.00					
			Land rental bid	569'990.40	0.00	569'990.40					
			B/F from 2009-2010	35'047.27	35'971.27	76.00					
			Total	791'443.94	185'406.27	606'037.67					
Alpha Logging	FMC A	09.17.10	Annual Contract Admin Fee	1'000.00	0.00	1'000.00					
			Area fees	298'100.00	0.00	298'100.00					
			Land rental bid	1'198'362.00	0.00	1'198'362.00					
			Late Payment Penalty	74'873.10	0.00	74'873.10					
			Total	1'572'335.10	0.00	1'572'335.10					
Atlantic Resources	FMC P	09.17.10	Annual Contract Admin Fee	1'000.00	0.00	1'000.00					
			Area fees	298'360.00	0.00	298'360.00					
			Land rental bid	1'062'161.60	0.00	1'062'161.60					
			Late Payment Penalty	68'076.08	0.00	68'076.08					
			Total	1'429'597.68	0.00	1'429'597.68					
EJ & J	FMC B	10.1.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00					
			Area fees	143'155.00	0.00	143'155.00					
			Land rental bid	289'745.72	0.00	289'745.72					
			Late Payment Penalty	21'695.04	0.00	21'695.04					
			Total	455'595.76	1'000.00	454'595.76					
FMC Grand Total			15'196'365.68	1'486'406.27	13'709'959.41	466'099.46	466'099.46	515'062.91	28'923.43		

Financial update provided by the Société générale de surveillance for companies with timber sales contracts and private use permits, 27 April 2011

Company	Contract	Original due date	Fee schedule	FY 2010-2011 Amount Due to GOL	Amount Paid	Outstanding amount due to date (USD)	Stampage Invoiced	Stampage fees paid to date	Export fees Paid to date	Volume Exported (m3)					
B & V	TSC A9	6.27.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00	11'663.32		22'896.38	916.00					
			Area fees	6'250.00	6'225.00	25.00									
			Land rental bid	100'000.00	0.00	100'000.00									
			B/F from 2009-2010	0.00	0.00	0.00									
			Late Payment Penalty	5'000.00	0.00	5'000.00									
Total			112'250.00	7'225.00	105'025.00										
B & V	TSC A10	6.25.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	30'050.00	30'050.00	0.00									
			B/F from 2009-2010	0.00	0.00	0.00									
			Total			37'300.00					37'300.00	0.00			
Tarpeh Timber Co.	TSC A2	6.27.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00	59'238.25	44'184.75	54'664.99	1'423.41					
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	25'000.00	25'000.00	0.00									
			B/F from 2009-2010	0.00	0.00	0.00									
			Late Payment Penalty	0.00	0.00	0.00									
Total			32'250.00	32'250.00	0.00										
B & B	TSC A7	10.9.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00	19'586.70	11'648.31	15'474.24	88.88					
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	9'550.00	9'500.00	50.00									
			Total			16'800.00					16'750.00	50.00			
Akwewa Group	TSC A3	7.21.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	26'000.00	26'000.00	0.00									
			Total			33'250.00					33'250.00	0.00			
ThunderBird International Liberia	TSC A8	10.1.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	10'000.00	10'000.00	0.00									
			Total			17'250.00					17'250.00	0.00			
Bassa Timber And Logging	TSC A11	7.21.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	51'250.00	51'250.00	0.00									
			Late Payment Penalty	2'562.50	0.00	2'562.50									
			Total			61'062.50					59'500.00	2'562.50			
Sun Yeun (1)	TSC A15	7.21.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	82'500.00	82'500.00	0.00									
			Total			89'750.00					89'750.00	0.00			
Sun Yeun (2)	TSC A16	7.21.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Area fees	6'250.00	6'250.00	0.00									
			Land rental bid	80'000.00	80'000.00	0.00									
			Total			87'250.00					87'250.00	0.00			
Ecowood (Texas International)	PUP-1	06.10.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00	47'725.75	47'725.75	40'723.02	1'247.21					
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Total			4'000.00					4'000.00	0.00			
Universal Forestry Company	PUP-2	4.23.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Total			4'000.00					4'000.00	0.00			
Global Logging	PUP-3	11.23.2010	Annual Contract Admin Fee	1'000.00	1'000.00	0.00	127'314.99	127'314.99	109'142.81	2'730.00					
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Annual Contract Admin Fee	1'000.00	1'000.00	0.00									
			Total			4'000.00					4'000.00	0.00			
TSC Grand Total			490'162.50	382'525.00	107'637.50	138'214.02	103'558.83	133'758.63	3'675.50						



Chain of Custody Financial Update
27.04.2011



Annex VII

Report of the Auditor-General of 2011 on revenue generation from the extractive industry sectors of Liberia: transmittal letter



*Office of the Auditor-General
Republic of Liberia*

TRANSMITTAL LETTER


REPORT OF THE AUDITOR-GENERAL ON THE AUDIT OF LEITI TEMPLATE SUBMITTED BY THE MINISTRY OF FINANCE ON THE ASSESSMENT AND COLLECTION OF REVENUE FROM ENTITIES WITHIN THE EXTRACTIVE INDUSTRIES IN LIBERIA FOR FISCAL YEAR 2009/10

1. I submit my report on the assessment, collections and lodgement of revenue received from concessionaires and other entities operating within the extractive industry of Liberia for the fiscal year 1 July 2009 to 30 June 2010.
2. This report, besides being a requirement under my statutory mandate as provided for under Chapter 53 of the Executive Law of 1972, is also a requirement of the Liberia Extractive Industry Transparency Initiative (LEITI), which was introduced by the Government of Liberia in response to the Extractive Industry Transparency Initiative International (EITIL).
3. The concessionaires in the extractive industry in Liberia operate under the supervision of ministries/agencies of Government namely: Ministry of Lands, Mines and Energy, Ministry of Agriculture, National Oil Company of Liberia and Forestry Development Authority. These supervising ministries/agencies as well as concessionaires are required to furnish LEITI annually, assessments made on the concessionaires, how much of each concessionaire assessment has been discharged and any outstanding obligations of concessionaire at the close of a fiscal year. My review indicated that the supervising ministries/agencies failed in this respect. As a result, LEITI and thus the Ministry of Finance were not in position to determine assessments made on concessionaires and thus expected collections, actual collections received and outstanding obligations of concessionaires at the close of the fiscal year.
4. My request to the supervising ministries/agencies to provide me templates of the assessments made on the concessionaires, how much of each concessionaire assessment has been discharged and any outstanding obligations of concessionaires at the close of a fiscal year, was also largely ignored by them.
5. Additionally, the integrity of data on collections paid by concessionaires and maintained by MOF was largely in doubt. This limitation again prevented me from validating collections obtained from the concessionaires and their lodgements at the Central Bank of Liberia.



*Office of the Auditor-General
Republic of Liberia*

6. Some concessionaires included in their payments for assessments made on their concessions, other payments such as payment for vehicle license plates. However, accounting for the vehicle license plates, as currently pursued, is anomalous and inconsistent with extant laws of Liberia.
7. On account of the foregoing, I was not able to determine what assessments were made on the concessionaires for the Fiscal Year 2009/10, how much was discharged and outstanding liabilities of the concessionaires at the close of the fiscal year. To remedy the deficiencies noted, I have suggested a number of measures in this report.
8. I thus urged the Chairman and Executive Director of LEITI as well as the Deputy Minister for Revenue to ensure implementation of these measures, as the deficiencies noted have the propensity to seriously undermine revenue generation efforts of the Government of Liberia.
9. I submitted a draft report to the Deputy Minister of Revenue. The Deputy Minister acknowledged the limitations noted in the report and assured me that she would ensure that they are corrected.


John S. Morlu, II
(Auditor-General R.L.)
SSA II

4:24 PM