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Liberia rising? Foreign direct investment, persistent inequalities and political tensions

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ABSTRACT

A key component of post-conflict reconstruction is inclusive and equitable economic development. In the post-Cold War era, Western donors have promoted the liberal peacebuilding model that emphasises democratisation and marketisation to accomplish stability and development. Attracting Foreign Direct Investment is an essential component of these marketisation policies, contributing to creating new employment opportunities, bringing in new technologies, skills and access to international markets. Others point to potential negative consequences for social stability of large international firms entering post-civil war countries, creating winners and losers and contributing to conflicts over access to land, jobs, social services and revenues generated by the companies. This paper examines the socio-economic and political consequences of FDI flows in Liberia. It argues that the very success of encouraging FDI, mostly channelled into palm oil, forestry, rubber and iron ore mining, undermined other policy goals, and in particular poverty reduction strategies, contributing to an increase in political tensions and protests in the project-affected communities.

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Introduction

The 2003 peace accords brought an end to the 14-year Liberian civil war. In 2005, Ellen Johnson-Sirleaf, a former World Bank official, won the presidency. Over the next decade, she presided over an ambitious reconstruction effort aimed at rebuilding the destroyed political and economic institutions, infrastructure and public services, demobilising ex-combatants and moving the country towards reconciliation. The international community, and in particular Western donor governments, the World Bank and the IMF have largely viewed Liberia as a success story. And indeed, the country's economy boomed, with GDP growth reaching 8.9% in 2013 and \$16 billion in FDI flowing into the country. Liberia met Heavily Indebted Poor Country (HIPC) completion points resulting in \$3.2 billion debt write off. In 2011, second post-conflict presidential elections, judged free and fair by international and domestic observers, were held and won by Johnson-Sirleaf.

Yet, these successes masked problems with the reconstruction process. Political tensions were apparent during the 2011 elections. Days before the vote, President Johnson-Sirleaf won the Nobel Peace prize, reinforcing her international reputation as a successful leader. Yet, she did not manage to win 50% of the vote in the first round and was forced into a second round run-off. The Ebola epidemic which ravaged West Africa in 2014 and early 2015, dramatically exposed the weakness of the health sector, public's mistrust of the government and deep political tensions within the country.¹

The reconstruction programme in Liberia followed closely the liberal peacebuilding model's policy prescriptions. In this paper, I argue that the programme had at its core a set of contradictory policies when pursued in the context of weak state institutions, patronage politics, two parallel legal systems governing land tenure, a history of natural resource extraction enclave economy and horizontal inequalities. Thus, while the programme accomplished some of its objectives, these not only undermined other policy goals but also contributed to the rise in political discontent and increasing number of popular protests. The unintended consequences of these contradictory policies may have re-created the kinds of pre-war inequalities that generated such violent conflict in the first place.

At the centre of the reconstruction programme was the *Poverty Reduction Strategy*, which emerged out of the World Bank mandated consultative process to plan national development priorities.² One of the key components of this strategy was opening up the country to foreign direct investment (FDI). FDI inflows, mostly channelled into palm oil, forestry, rubber and iron ore, were seen by the Johnson-Sirleaf administration as well as Western donors, as necessary to revitalising the Liberian economy, improving employment opportunities and bolstering government tax revenues. FDI did in fact begin to flow into the country, contributing to the growth of GDP, expanding production, exports and government revenues.³ However, these very successes seemed to exacerbate many of the very problems they were supposed to alleviate.

Both Western donors and the post-conflict Liberian government sought to avoid reproducing the pre-war economic system in which large foreign investors in the natural resources sector did not result in broadly shared development but rather deepened horizontal inequalities. To ensure this, unusually intrusive oversight by the donor community through the Governance and Economic Management Assistance Programme (GEMAP) was put in place. The GEMAP, which was in effect from 2006 to 2010, was designed to 'promote accountability and transparency in fiscal and financial management to enable Liberia to use its resources in the interests of its citizens.'⁴ Other mechanisms, such as the Liberian Extractive Industries Transparency Initiative (LEITI), were also put in place to ensure that the post-war development followed along a very different path.

¹International Crisis Group, 'The Politics Behind the Ebola Crisis', October 28, 2015. The Ebola epidemic has significantly affected economic growth in the region, including Liberia. The World Bank has revised its growth forecast from about six per cent to two and a half per cent. The Bank estimates that the epidemic will have cost Liberia, Sierra Leone and Guinea at least \$359 million and more than double that in the worst-case scenario. World Bank, 'The Economic Impact of the 2014 Ebola Epidemic: Short and Medium Term Estimates for Guinea, Liberia, and Sierra Leone', http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/09/17/000470435_20140917071539/Rendered/PDF/907480REVISED.pdf (accessed September, 2014).

²This strategy unfolded in three phases: the Interim Poverty Reduction Strategy (2006–2008), the Poverty Reduction Strategy (2008–2011) and the PRS II (2012–2018).

³Africa Development Bank, OECD, UNDP, *Africa Economic Outlook 2015: Liberia*, 4.

⁴<http://www.gemap-liberia.org/>

However, within a decade, many of the pre-war socio-economic and political divisions are being replicated. Poverty and unemployment rates have remained stubbornly high, horizontal inequalities have persisted and food insecurity has increased rather than decreased in many communities. As was the case before the war, the economic policies pursued in post-conflict Liberia have allowed those with access to financial and political resources to marginalise and exploit those with little access to such resources.⁵ At the same time, as before the war, foreign companies have significantly expanded their activities, claiming more land through concessionary deals signed with the government. Although they brought in significant increases in government revenues, nonetheless the non-transparent nature of these deals and the resulting problems for the project-affected communities (PACs) are contributing to the raising tensions in the areas where concessions are located.⁶ These dynamics in turn have added to the growing disillusionment with what many Liberians see as extremely slow progress in the country's reconstruction, the glaring socio-economic inequalities between the elites and the majority of the population, and the extremely high levels of corruption.⁷

This paper draws on interviews conducted by the author in 2010 and 2011 as well as review of Liberian government documents and reports produced by local and international NGOs and by international organisations. It is organised as follows: the first section reviews debates about the role that private and in particular international investors can play in the process of post-conflict reconstruction; the second section discusses the Liberian reconstruction process; the third section examines FDI policies in Liberia and in particular focuses on concessionary agreements signed by the government and international investors; the fourth section examines the impact of FDI investment on communities within concessionary areas; the fifth section discusses the rising tensions and increasing number of protests in these communities; finally, the concluding section draws out some conclusions about the role of FDI in post-conflict reconstruction.

Reconstructing economies after civil wars

Post-conflict reconstruction is a complex set of processes that involve establishing security, rebuilding state institutions and provision of public goods and infrastructure, establishing rule of law, developing participatory government, addressing war-time human rights violations and restoring economic growth. All these efforts tend to happen simultaneously and are interdependent. At the same time, restoring economic growth in post-conflict settings is different than promoting development in countries not recovering from civil war. Economic grievances often were at the root of the conflict while a wartime economy emerged during

⁵In 2014, Liberia ranked 94 of 175 countries according to Transparency International. <https://www.transparency.org/country/>. A decade after the end of the civil war, Liberia's human development remains low and almost 82 per cent of the population is multidimensionally poor with another 13 per cent close to the multidimensional poverty threshold. Liberia placed 175 of 187 countries on the Human Development Index in 2013. UNDP, *Human Development Report 2014: Sustaining Human Progress and Reducing Vulnerabilities, Building Resilience* (New York: UNDP, 2014).

⁶Zahed Yousuf, 'Extracting Peace: the Management of Natural Resources as a Platform for Promoting Peace and Stability in Liberia', (London: International Alert, December 2014); International Crisis Group, 'Liberia: Time for Much-delayed Reconciliation and Reform', *Africa Briefing* no. 88 (Dakar/Brussels, 12 June, 2012).

⁷See for example, Search for Common Ground, *Youth to Youth: Measuring Youth Engagement* (Liberia, 2012). See also, Andreu Sola-Martin, 'Liberia: Security Challenges, Development Fundamentals', *Third World Quarterly* 32, no. 7 (2011): 1217–32.

the fighting and often sustained the conflict. Following the cessation of fighting, the war economy needs to be dismantled while a more inclusive and equitable economic development project needs to be launched. Ensuring that ordinary people see a 'peace dividend' in the form of improved standards of living can be essential to maintaining stability.⁸ In the post-Cold War era, Western donors have generally promoted a set of policies that have emphasised the importance of democratisation and market-based economic policies, also known as the liberal peacebuilding model, as the most effective strategy to accomplish these complex goals.

The appropriateness of this model for reconstructing states and societies after civil war has generated significant debate. Proponents argue that establishing a democratic political system and a market-based economy is the most effective way of ensuring that conflicts are managed through non-violent mechanisms. Critics, however, argue that such reforms may aggravate rather than resolve social tensions, noting that the process of democratisation and economic liberalisation is inherently conflictual.⁹ Pushing political reforms too quickly, reducing the role of the state in the economy and opening up the economy to trade and investment may therefore work at cross-purposes with the goals of building a stable state.¹⁰

The role of foreign direct investment (FDI) in post-conflict reconstruction has likewise been controversial. For some, attracting FDI is essential to the reconstruction process given the inadequate levels of domestic capital. In this view, FDI can contribute to bolstering economic development by providing badly needed new employment opportunities, including to newly demobilised combatants, technologies and skills as well as allowing better access to international markets.¹¹ FDI also can speed up infrastructure reconstruction both because companies need roads, railroads and ports and communications infrastructure to effectively conduct business and because such reconstruction is often part of the agreements negotiated with the host government.¹² By improving prospects for economic development, FDI can thus reduce the probability of conflict recurrence.¹³

Private investors, however, are often concerned about sustainability of the peacebuilding enterprise, potential political instability and resumption of conflict.¹⁴ The key challenge, according to proponents of FDI, is therefore how to mitigate concerns about risk,

⁸Graciana del Castillo, *Rebuilding War-Torn States: The Challenge of Post-conflict Economic Reconstruction* (New York: Oxford University Press, 2008), 26.

⁹Jack Snyder, *From Voting to Violence: Democratization and Nationalist Conflict* (New York: W.W. Norton, 2000); Hegre, Håvard et al., 'Toward a Democratic Civil Peace? Democracy, Political Change, and Civil War, 1816–1992', *American Political Science Review* 95, no. 1 (2001): 33–48.

¹⁰Roland Paris, *At War's End: Building Peace After Civil Conflict* (New York: Cambridge University Press, 2004); Crocker, Chester A., Fen Osler Hampson and Pamela Aal, eds., *Managing Global Chaos: Sources of and Responses to International Conflict* (Washington, DC: United States Institute of Peace Press, 1996); Thomas E. Flores and Irfan Nooruddin, *Electing Democracy* (New York: Cambridge University Press, 2016).

¹¹Nicholas Turner, Obijiofor Aginam and Virtus C. Igboke, *Foreign Direct Investment in Post-conflict Countries: Opportunities and Challenges* (Addonis & Abbey, 2011).

¹²John Bray, 'Practice Note 3: Foreign Direct Investment in Conflict-affected contexts', International Alert, Strengthening the Economic Dimensions of Peacebuilding Practice Note Series (2009), 3. Bray is a political risk and corporate responsibility specialist at the Control Risks international consultancy.

¹³Paul Collier et al., *Breaking the Conflict Trap: Civil War and Development Policy* (Washington, DC: The World Bank, 2003); Betty Bigombe, Paul Collier and Nicholas Sambanis, 'Policies for Building Post-conflict Peace', *Journal of African Economies* 9, no. 3 (2000): 323–48.

¹⁴Christopher Clague et al., 'Property and Contract Rights in Autocracies and Democracies', *Journal of Economic Growth* 1, no. 2 (1996): 243–76; Stephen Knack and Philip Keefer, 'Institutions and Economic Performance: Cross-country Tests Using Alternative Institutional Measures', *Economics and Politics* 7, no. 3 (1995): 207–27; Kwang Jun and Harinder Singh, 'The Determinants of Foreign Direct Investment: New Empirical Evidence', *Transnational Corporations* 5, no. 2 (1996): 67–106; Thomas Flores and Irfan Nooruddin, 'Democracy Under the Gun: Understanding Postconflict Economic Recovery', *Journal of Conflict Resolution* 53, no. 1 (2009): 3–19.

encourage and incentivise international businesses to channel investments to these high-risk countries.¹⁵ Once international companies begin operations in a post-conflict country, their presence can signal to other investors, both domestic and foreign, that stability has increased thus attracting even more investors setting in motion a virtuous cycle.¹⁶ The New Deal for Engagement in Fragile States acknowledges that businesses in such environments may aggravate conflicts but nonetheless sees such investors as also contributing to rebuilding societies after conflict through provisions of jobs, service delivery and revenue generation. Its focus then is on providing the business sector with the tools that allows them to adhere to international standards and best practices.¹⁷

Other scholars and practitioners, however, are more doubtful about the ability of FDI to contribute to post-conflict reconstruction. They point to a number of potential negative consequences for social stability when large international firms enter such markets and that can result from the imbalance of power between them and host governments, the lack of host governments' capacity to effectively monitor the activities of such companies, to collect tax revenue and to enforce their legal obligations among others.¹⁸

Furthermore, the entry of large international companies inevitably creates winners and losers and thus may contribute to conflicts between social groups over access to jobs, social services and revenues generated by the companies.¹⁹ What can make such conflicts potentially dangerous in a country emerging from a civil war is that there are often few institutional mechanisms in place to manage and resolve such conflicts in a way that is seen by the parties as fair and impartial.²⁰ Moreover, because few companies are interested in investing in post-conflict countries, host governments desperate for resources may be tempted to accept unfavourable deals.²¹ The imbalance of power between international companies and local communities can also mean that those living in areas most directly affected by FDI are least able to effectively negotiate with these investors. Often such PACs see their lives significantly disrupted without being consulted by either the companies or the host governments, thus deepening community resentment and opposition to the projects.²² At the same time, much of the FDI flowing into post-conflict settings tends to

¹⁵Sadaf Lakhani, 'Business as Usual in Fragile States? Part 1. Leveraging Aid for Private Sector Development', International Network for Economics and Conflict, <http://inec.usip.org/> (accessed 17 June, 2015); Benjamin J. Appel and Cianne E. Loyle, 'The Economic Benefits of Justice: Post-conflict Justice and Foreign Direct Investment', *Journal of Peace Research* 49, no. 5 (2012): 685–99; Quan Li, 'Political Violence and foreign direct investment', in *Research in Global Strategic Management, Volume 12: Regional Economic Integration*, ed. Michele Fratianni and Alan M. Rugman (Oxford: Elsevier, 2006); Tim Buthe and Helen Milner, 'The Politics of Foreign Direct Investment into Developing Countries: Increasing FDI Through International Trade Agreements?' *American Journal of Political Science* 52, no. 4 (2008): 741–62.

¹⁶John Bray, 'Practice Note 3'.

¹⁷See for example, International Dialogue on Peacebuilding and Statebuilding, 'International Standards for Responsible Business in Conflict-affected and Fragile Environments' (2015).

¹⁸John Bay, 'Practice Note 3', 3–9; International Alert/Swiss Peace, 'Agribusiness: Risks and Impact in Conflict-affected Areas' (Background Paper, February 2015); Sonja Vermeulen and Lorenzo Cotula, 'Over the Heads of the People: Consultation, Consent, and Recompense in Large Scale Land Deals for Biofuel Projects in Africa', *The Journal of Peasant Studies* 37, no. 4 (2010): 899–916; Kojo Yelpaala, 'Rethinking the Foreign Investment Process and Incentives in Post-conflict Transition Countries', *Northwestern Journal of International Law and Business* 30, no. 1 (Winter 2010): 23–99.

¹⁹John Bray, 'Practice Note 3', 3.

²⁰*ibid.*

²¹Thorsten Benner and Ricardo Soares de Olivera, 'Statebuilding and the Political Economy of the Extractive Industries in Post-conflict States', in *Political Economy of Statebuilding: Power After Peace*, ed. Mats Berdal and Dominik Zaum (London: Routledge, 2013), 94.

²²Bray, 'Practice Note 3', 9.

create enclave economies, thus contributing less to the revitalisation of the economy than the liberal peacebuilding model proponents expect.²³

Adding to the concerns about the impact of FDI on social stability in post-conflict settings is that most of the investments tend to flow into extractive industries and agribusiness.²⁴ Both of these types of investments involve taking control over large swaths of land. In contexts characterised by complex land tenure laws and in particular where many people hold customary rather than formal titles to the land, where conflicts over access to land and land ownership frequently played a central role in fomenting civil war, and where majority of people depend on agriculture for their livelihoods, the entry of large international companies can exacerbate social tensions.²⁵

The Liberian case suggests that achieving broad based, equitable economic development through attracting FDI is difficult. In many ways, Liberia was better placed to achieve these objectives than other countries emerging out of a protracted conflict not least because it had very stringent oversight from the international donor community designed specifically to ensure transparency and proper management of revenues and expenditures. It also has proven relatively attractive to international investors given the relatively small size of its economy. Yet, as this paper explores in the next sections, FDI flows resulted in relatively few benefits to the PACs and fuelled grievances, undermined government goals of improving smallholder agricultural sector and reducing poverty levels.

Reconstruction programme

The two civil wars in Liberia, which lasted from 1989 to 2003, devastated the country's economy, reducing its GDP by 90%. By most estimates, 250,000 Liberians out of a population of 3.8 million were killed during the conflict and two million became refugees or internally displaced.²⁶ Infrastructure was almost completely destroyed, and there was no provision of electricity or piped water, agricultural production, mining and manufacturing essentially ceased. Seventy-five per cent of the educational infrastructure was damaged or destroyed and the public healthcare system collapsed, leading to the widespread existence of communicable diseases such as malaria, acute respiratory infections and measles, and most tragically, Ebola.²⁷

The post-peace agreement government's task was thus enormous. Its policies were organised around four principal pillars: (1) expanding peace and security; (2) revitalising economic activity; (3) strengthening governance and the rule of law; and (4) rebuilding infrastructure and providing basic services.²⁸

²³Yelpaala, 'Rethinking the Foreign Direct Investment Process', 27. UNCTAD has also questioned the conventional assumptions about the benefits of FDI in these fragile contexts. UNCTAD, *Economic Development in Africa: Rethinking the Role of Foreign Direct Investment*. UN Doc. UNCTAD/GDS/AFRICA/2005/1.

²⁴Benner and Soares de Olivera, 'Statebuilding and the Political Economy'.

²⁵International Alert and SwissPeace, 'Agribusiness: Risks and Impact in Conflict-affected Areas' (Background paper, February 2015), 1–6; John Unruh and Rhodri Williams, eds., *Land and Post-conflict Peacebuilding* (Earthscan, 2013). Tensions over land have intensified in recent years as volatile global food prices, changing consumption patterns in emerging economies and climate change has intensified international investments in the agricultural sector in a process often referred to as land grabbing. See for instance, S. Vermeulen and L. Cotula, 'Over the Heads of Local People: Consultation, Consent, and Recompense in Large-scale Land Deals for Biofuels Projects in Africa', *The Journal of Peasant Studies* 37, no. 4 (2010): 899–916; Paul McMahon, *Feeding Frenzy: Land Grabs, Price Spikes and the Global Food Crisis* (Graystone Books, 2014).

²⁶The enormity of the human costs of the conflict can be seen in the Ipsos/ICRC, *Liberia: Opinion Survey and in-Depth Research 2009* (Geneva: International Committee of the Red Cross, December 2009).

²⁷United Nations Environment Programme, *Desk Study on the Environment in Liberia* (Nairobi: UNEP, 2004), 15.

²⁸Steve Radelet, 'Reviving Economic Growth in Liberia' (Working paper no. 13, Center for Global Development, November 2007), 6.

One of the key government initiatives was the *Poverty Reduction Strategy*, focusing on two areas in particular. First, the government sought to expand small-holder agricultural production. Although 70% of Liberians are employed in this sector, many are food-insecure, a situation that has been exacerbated by increasing food prices and the country's dependence on food imports.²⁹ Revitalising this sector was therefore seen as essential to improving living standards. Second, it concentrated on revitalising the natural resource sector in order to bolster government revenues and expand employment opportunities.

The government and donors saw FDI as essential to the success of the poverty reduction strategy and as crucial to job creation, spurring economic activities as well as providing the government with tax revenue that it could utilise to improve public services. The IMF supported these policies, estimating that the royalties and corporate taxes generated by concessionary deals with foreign investors could bring in two billion dollars over 10 years into government coffers. At the same time, these investors IMF anticipated would contribute to reconstruction of the country's infrastructure.³⁰ Over the long term, liberalisation of the trade and investment regime was expected to stimulate the manufacturing sector and expanding availability of low skilled jobs ensuring broad-based economic development.³¹

As importantly, the government and donors wanted to ensure that Liberia would not replicate the economic model that existed prior to the civil war and which was seen as having directly contributed to the conflict. At that time, the large concessionary deals struck between the government and international firms, most prominently the Firestone Rubber Company, created an economic system that benefited primarily the Americo-Liberian political elite and foreign interests. The majority of the indigenous population, however, was marginalised politically and economically, and their access to land declined while few income-generating opportunities resulted from FDI. Over time, this exclusionary economic development model created deep fissures within the society and fuelled grievances that facilitated the mobilisation of rural youth as armed conflict erupted and intensified.³²

The Liberian Truth and Reconciliation Commission concluded that natural resource exploitation had a direct and profoundly negative impact on the conflict, fuelling inequality and popular resentments among the majority that felt marginalised both economically and politically and excluded from meaningful participation in the country's governance. The Commission also tied the exploitation of natural resources directly to the financing of war and displacement of the rural population from land they had previously cultivated. Finally, it implicated both private investors and government officials who benefited from deals regarding access to and exploitation of natural resources, which had marginalised and impoverished rural communities.³³ The first post-war government and international donors therefore sought to ensure transparent governance of this sector in the post-war

²⁹Friends of the Earth, 'Live or Drive, a Choice to be Made: A Case Study of Sime Darby Operations in Liberia', (2012): 8.

³⁰International Monetary Fund, 'Liberia: 2010 Article IV Consultation and Fifth Review Under the Three-year Arrangement Under the Extended Credit Facility – Staff Report', (December 2010), 14.

³¹For an overview and assessment of IFIs post-conflict reconstruction policies, see for example, Susan L. Woodward, 'The IFIs and Post-conflict Political Economy', in *Political Economy of Statebuilding: Power After Peace*, ed. Mats Berdal and Dominik Zaum (London: Routledge, 2013), 140–57.

³²Amos Sawyer, *Beyond Plunder: Toward Democratic Governance in Liberia* (Boulder: Lynne Rienner, 2005); Jon D. Unruh, 'Land Rights in Postwar Liberia: The Volatile Part of the Peace Process', *Land Use Policy* 26, (April 2009): 425–33.

³³Zahed Yousuf, 'Extracting Peace', 1–2, citing the Truth and Reconciliation Commission of Liberia, *Volume 3, Appendices: Title III: Economic Crimes and Conflict Exploitation and Abuse*, 2009. He also points out that the Commission also accused the international companies of 'large-scale Tax Evasion, Looting, Money Laundering, Arms Smuggling and Illegal Price Fixing'.

period in order to avoid replicating a system that had so clearly contributed to fuelling violence in the past.

Consequently, *The Poverty Reduction Strategy* adopted in 2008 emphasized that,

The secretive, special deals of the past that benefit a few to the detriment of the majority will be replaced by transparent agreements with fairer terms and stronger mechanisms to ensure the proper distribution and spending of funds and that concession revenues will be used to promote public welfare by financing investment in roads, education, health, water and other areas.³⁴

This emphasis on developing an inclusive economic development model was further reinforced when the government adopted a new strategy in 2010. Called *Liberia Rising: Vision 2030*, the new strategy was an ambitious political, economic and social plan aimed at transforming Liberia ‘into a middle-income country by 2030,’ by using

The country’s considerable natural resources to attract foreign investment to generate revenues for rebuilding Liberia’s political institutions and social infrastructure, whilst creating inclusive equitable economic growth for the country’s population.³⁵

However, the policies that have been implemented have often been in tension and contradictory. On the one hand, government’s agricultural policies emphasise the need to address the problem of food insecurity.³⁶ This would be accomplished by expanding agricultural production, productivity and diversification and by improving access to market, ensuring that the sector would be ‘pro-poor.’³⁷ On the other hand, the government’s focus on attracting foreign investors has translated into large percentage of the country’s agricultural land being allocated to companies that produce rubber, palm oil, and mine gold and iron ore. Because the government considers land without visible development as ‘idle and useless,’ it has deemed it available for concessionary agreements.³⁸ Astonishingly, in 2013, over 53% of the country’s total area was covered by concessionary agreements.³⁹

Over time, however, it has become increasingly clear that as the government has placed emphasis on attracting FDI, agricultural policies’ objectives have been undermined. As one recent report points out, the ‘rhetoric of adopting a pro-poor approach to stimulating growth in the agricultural sector seems to make a mockery of poor farmers who are being stripped of their farmlands, which are then handed over to foreign investors.’⁴⁰ Most assessments have found that the benefits to affected communities have been largely non-existent and that concessionary agreements have in many instances undermined poverty reduction strategies that the government was ostensibly pursuing, by restricting access to land and water in the affected communities thereby making them more not less food insecure.⁴¹

³⁴Government of Liberia, *Poverty Reduction Strategy* (2008), 37.

³⁵Zahed Yousef, ‘Extracting Peace’, 1. See also International Monetary Fund, *Liberia: 2010 Article IV Consultation and Fifth Review Under the Three-year Arrangement Under the Extended Credit Facility*, IMF Country Report No. 10/373 (Washington, DC: IMF, 2010); and Republic of Liberia, *Agenda for Transformation: Steps Toward Liberia RISING 2030* (2010).

³⁶As many as 81 per cent of Liberians are either ‘Highly or Moderately Food Insecure’. Ministry of Agriculture, Republic of Liberia, *Food and Agricultural Policy and Strategy: From Subsistence to Sufficiency* (Monrovia, July 2008), 1.

³⁷*Ibid.*

³⁸Cited in Bread for the World – Protestant Development Service, ‘Large-scale Land Acquisitions in Liberia: Case Studies and Some Legal Aspects of Palm Oil Sector’. Analysis 39, Land Grabbing Case Studies (Berlin, June 2013), 27.

³⁹In 2013, out of the total land area of the country’s 9.6 million hectares, 5.10 million hectares were concession areas. Mining concessions covered 2.8 million hectares, forests 1.1 million hectares, agriculture 1 million hectares and gas and oil concession areas covered 136 thousand hectares. The Rights and Resource Group, ‘Investments into the Agribusiness, Extractive and Infrastructure Sectors of Liberia: An Overview’, (June 2013), 9.

⁴⁰Silas Kpanan Ayoung Siakor, ‘Uncertain Futures: The Impacts of Sime Darby on Communities in Liberia’ (Sustainable Development Institute, September 2012), 17.

⁴¹Siakor, ‘Uncertain Futures’; Bread for the World – Protestant Development Service, ‘Large-scale Land Acquisitions in Liberia’.

At the same time, investment policies undermined the confidence of people living in the affected areas in both the local and the central government and have contributed to the growing grievances and social tensions there.⁴²

Foreign direct investment and concessionary agreements

Since 2005, FDI flows into Liberia have increased significantly, reaching approximately \$16 billion.⁴³ They have been channelled primarily into the palm oil, iron ore, rubber and timber industries. According to government of Liberia data, revenue generated by these industries in fiscal year 2012/2013 reached USD 200 million up from about USD 30 million in fiscal year 2007/2008. However, LEITT's assessment has raised concerns that because of weak government oversight of companies' operations, the firms may be avoiding paying in full their tax and royalties obligations.⁴⁴

Three large palm oil companies currently operate in Liberia. Sime Darby, a Malaysian firm signed a 63-year concessionary agreement in 2009. The concession covers 220,000 hectares located in Grand Cape Mount, Gbarpou, Bomi and Bong Counties. Equatorial Palm Oil (EPO) a joint UK-Indian company signed a concessionary agreement in 2011. It covers 169,000 ha in Grand Bassa, River Cess and Sinoe Counties. Golden Veroleum, an Indonesian company, signed a 65-year agreement in 2010 covering 240,000 ha in Sinoe, Grand Kru and Maryland Counties. In total, 629,000 ha are designated for oil palm cultivation.⁴⁵ By 2012, rubber, logging and oil palm concessions covered more than 2,500,000 ha or 25% of the country's total area.⁴⁶ At the same time, six iron ore concessions have been signed worth \$13 billion. The largest of these are China Union, Indian ArcelorMittal and Russian Putu Mining as well as the Anglo-Australian BHP Billiton.⁴⁷ According to Liberian government, about 40% of the Liberian population now lives within these areas.⁴⁸

On paper at least, the process of securing, negotiating and implementing concessionary agreements in Liberia is very rigorous, transparent and following many of the internationally accepted best practices. The agreements include provisions for business performance requirements, consultations with population living in the areas covered by the concession and significant financial contributions by companies towards improving health and

⁴²Such dynamics are not unique to Liberia. In fact, a recent World Bank study has failed to find 'evidence of the benefits of land grabbing (...) and found overwhelmingly negative impacts while benefits remained confined to theoretical possibilities. Instead of generating sustainable benefits, these contributed to asset loss and left local people worse off than they would have been without the investment'. Klaus Deininger et al., 'Rising Global Interest in Farmland: Can it Yield Sustainable Benefits?' (World Bank, 2011), 7. Another study found, 'most of the time, the projects result in employment security for some, while leaving the majority of people without shelter, food, means of livelihood and environmental security'. Tania Murray Li, 'Centering Labor in the Land Grab Debate', *Journal of Peasant Studies* 38, no. 2 (2011): 281–99. See also, ActionAid, *The Great Land Heist: How the World is Paving the Way for Corporate Land Grabs* (May 2014) which examines these dynamics in Cambodia, Kenya, India, Mozambique, Senegal, Sierra Leone and Tanzania.

⁴³The Ebola outbreak and the fall of global commodity prices have slowed this influx of FDI, *World Investment Report 2015*.

⁴⁴Liberia Extractive Industries Transparency Initiative, *EITI Reconciliation Report for the Year Ended 30 June 2013* (Monrovia, December 2015), 8.

⁴⁵Friends of the Earth, 'Live or Drive', 12.

⁴⁶Siakor, 'Uncertain Futures', 17.

⁴⁷Sustainable Development Institute, 'Liberia: Poverty in the Midst of Plenty: How Post-war Iron Ore Mining is Failing to Meet Local People's Expectations', (2014), 4. The Putu Mining has recently shut down in response to the fall in global iron ore prices. 'Liberia: Putu Mining Shuts Down Over International Crisis', *Front Page Africa* (January 13, 2016).

⁴⁸Ministry of Planning and Economic Affairs official cited in Friends of the Earth, 'Live or Drive', 8.

education services, skills training and employment of those living in PACs.⁴⁹ They also include provisions that Liberian workers need to be hired for non-skilled jobs. Mining concessionary agreements also tend to include provisions for reconstruction of infrastructure, such as road, railroads and ports.

The concessionary agreements also stipulate that the companies finance three funds that are to be used to improve the lives of the PACs but not to finance administrative expenses of local governments.⁵⁰ However, how these funds are to be managed and who decides how funds should be used, grievance procedures as well as various monitoring and review mechanisms are generally not spelled out.⁵¹

In practice, the process of negotiating and implementing concessionary agreements has been deeply flawed, however, and many provisions set up to ensure transparency and accountability are sidestepped. For instance, while the law requires the government put out bids for concessions and evaluate the proposals, such bids have never been announced. Rather, the concessionary process has involved companies approaching the government with proposals. This in turn means that much of the negotiations take place without the knowledge, involvement or consultations with the communities that will be affected by the projects.⁵² The documents that communities do receive tend to be incomplete and often difficult for the largely illiterate population to read and understand.⁵³ Although concessionary agreements are public documents, in practice government offices often refuse to release them or claim they do not have them.⁵⁴

According to both Liberian law and international agreements, PACs have to be consulted during negotiations with companies over concessionary agreements. A key principle established in international law, national legislation, such as the Community Rights Law, as well as industrial guidelines as relating to FDI is that of First Prior and Informed Consent (FPIC).⁵⁵ This means communities' rights to their lands and resources are recognised and therefore before an investor can acquire such land, the community must be consulted about the proposed project. The company must also negotiate with the community regarding the potential impact of the investment on the community and agree on the terms of compensation. Finally, the community must be given the opportunity to reject the proposal and stop the project if the terms offered by the company do not meet the community's requirements.⁵⁶

In reality, however, most concessionary agreements are signed with little, if any consultations with the PACs. When consultations do happen, they tend to involve only community leaders and largely exclude such groups as young people and women.⁵⁷ As a result, PACs

⁴⁹Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions in Liberia', 8; 'Community Relations in the Putu Iron Ore Mining Concession', Sustainable Development Institute, Briefing 2 (July 2014).

⁵⁰Friends of the Earth, 'Live or Drive', 21.

⁵¹Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions in Liberia', 31.

⁵²Author Interviews with local government officials and civil society representatives, Tubmanburg, Bomi County, July 2011.

⁵³Frazer Lanier, Ashoka Mukpo, and Frithiof Wilhelmsen "'Smell No Taste': The Social Impact of Foreign Direct Investment in Liberia' (Columbia University/SIPA, January 2012).

⁵⁴At one point, international donors who were financing the government economic reconstruction efforts were stymied in their attempt to obtain these concessionary agreements. Author Interview with a World Bank representative, Monrovia, June 2011.

⁵⁵United Nations, Commission on Human Rights, Subcommittee on the Promotion and Protection of Human Rights, Working Group on Indigenous Populations, 22nd session, 19 July, 2004.

⁵⁶Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions in Liberia', 18. In practice, there has not been a case when a concessionary deal has been halted or scrapped because of community objections.

⁵⁷Author Interviews with civil society representatives in Tubmanurg, Bomi County, Monrovia and Buchanan, Grand Bassa County, July 2011.

are usually not aware of the foreign investors' plans and how those plans will affect those residing within the concessionary areas.⁵⁸

Problems with insufficient consulting and communicating with PACs continues after the signing of concessionary agreements. Recent investigation into the operations of Golden Veroleum for instance found that the firm does not abide by such standards as Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO) and GAR's Forest Conservation Policies (FCP). The company, despite social and environmental commitments, has not engaged communities in the concession areas in dialogue and has shown 'continuing disregard for FPIC and other social obligations in practice.'⁵⁹ Communities therefore lack information about company plans. In some cases, concessionary agreements have been finalised in secret and through dubious legal processes.⁶⁰ However, communities generally lack financial resources that would enable them to hire legal counsel to assist them in their engagement with companies. Furthermore, companies have benefited from the local government intimidation of PACs, including heavy-handed actions of security forces when communities engage in protests.⁶¹

Concessions impact on livelihoods and land access

The expansion of land covered by concessionary agreements has had a profound impact on economic opportunities and food security of communities. While consistent with the government's policies to attract FDI, the impact clashed with policies aimed at reducing poverty and improving agricultural production. They have also intensified problems with access to land in PACs, contributing to increasing land disputes. Since the end of the civil war, land conflicts have been one of the most prevalent social conflicts and have steadily escalated.⁶²

Both the government and the companies often talk about developing unused land as part of the concessionary deals. However, there is very little land in the country that is not being used by communities. These communities not only rely on agricultural land for farming, but are also dependent on water resources for fishing and forests for hunting as well as for gathering herbs used in medicines and firewood. As one recent report pointed out, 'the contract obliges the government to allocate land free of encumbrances (...) This is impossible: there is no land free of encumbrances in the counties targeted for development.'⁶³

Land ownership is complicated for a variety of reasons. There are two legal systems, the customary and the formal, and most Liberians do not hold formal title to the land. Rather land ownership is based on customary law.⁶⁴ As a consequence, as foreign companies have

⁵⁸See note 50 above.

⁵⁹Forest Peoples Programme, 'Hollow Promises: An FPIC Assessment of Golden Veroleum and Golden Agri-resources's Palm Oil Project in Liberia', (April 2015).

⁶⁰Global Witness for instance has found concessionary agreements that were signed and that involved 'evidence of fraud and misconduct among government officials and timber companies'. Global Witness, Sustainable Development Institute, 'Signing Away Their Lives: Liberia's Private Use Permits and the Destruction of Community-owned Rainforest', (2012).

⁶¹Forest Peoples Programme, 'Hollow Promises'.

⁶²*The Guardian*, February 29, 2012; International Crisis Group, 'Liberia: Uneven Progress in Security Sector Reform', Africa Report 148. (2009); Agnieszka Paczynska, 'Liberia Interagency Conflict Assessment Framework Report' Office of Conflict Prevention, Office of the Coordinator for Reconstruction and Stabilization, U.S. Department of State (May 2010), 13–16.

⁶³Siakor, 'Uncertain Futures', 9.

⁶⁴Civil war added to this complexity because so many people were displaced from their land and so many records were lost. See for example, Jairo Munive Rincon, 'Ex-combatants, Returnees, Land and Conflict in Liberia', *DIIS Working Paper* (Copenhagen: Danish Institute for International Studies, 2010).

moved in, many Liberians have been displaced since they do not possess formal deeds to their farms.⁶⁵ According to the Liberian law, the government is the owner of all public land; that is any land not formally registered. It can therefore lease any part of public land not allocated for other use to foreign companies. The concession agreements give the licence holder the right to request that communities are moved from the land if their presence disrupts the company's operations. Even if certain communities have been living on the land for generations, the land occupied by and surrounding their villages tends to be considered public asset belonging to the state. There is also evidence that even in areas where farmers do hold formal deeds to their land, the land was transferred to foreign firms as part of the concessionary agreement.⁶⁶

PACs within the Sime Darby concession area for instance were displaced from much of the available farmland. In addition, the company has filled in swamps and diverted streams thus affecting rice growing, fishing and hunting in these communities.⁶⁷ During the dry season, shortages of safe drinking water have become a significant problem in many concessionary areas.⁶⁸ At the same time, because land also has deep cultural, religious and historical meaning when it is taken away, it not only undermined the economic security of communities but is also perceived as threatening people's identity.⁶⁹

Communities' loss of farmland, restricted access to forests and limited opportunities to market their agricultural products has meant that PACs have become more food insecure than communities outside concessionary areas.⁷⁰ As one recent study found, communities in affected areas have 'a significantly less diverse and nutritious diet; are more in-debt; and become indebted to cover basic food and health needs,' in contrast to areas not affected by concessionary agreements.⁷¹ In other words, the increasing levels of FDI appear to have undermined the government's goals of improving productivity of individual farms and of reducing poverty.

As one civil society representative pointed out,

Giving away land for large-scale plantations is hailed as promoting the economic recovery of Liberia but in reality these plantations undermine Liberia's basic food security and cause poverty when livelihoods are lost. (...) Allocating large swathes of fertile agricultural land to foreign companies for several decades will push people further into poverty, as local income generating activities are curtailed and peoples' earning capacities become limited.⁷²

⁶⁵Friends of the Earth, 'Live or Drive', 15.

⁶⁶An assessment has found this to be the case in the Equatorial Palm Oil concession area. Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions', 55.

⁶⁷Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions in Liberia', 43.

⁶⁸Nat Walker et al., 'Agricultural Land Concessions and Conflict in Liberia', *Policy Analysis Brief* (Monrovia: Early Warning Early Response (EWER) Working Group, 15 June, 2012), 12–3.

⁶⁹Global Witness, 'Industrial Agriculture Livelihood Impact and Economic Value Study, Terms of Reference', (April 2015), 1–2; Tom Lomax, Justin Kenrick and Alfred Brownell, 'Sime Darby Oil Palm and Rubber Plantation in Grand Cape Mount County, Liberia', in *Conflict or Consent? Oil Palm Sector at a Crossroads*, ed. Marcus Colchester and Sophie Chao (Forest People Programme, Sawit Watch and TUK INDONESIA, November 2015), 302–31.

⁷⁰Lakshmi Balachandran et al., 'Everyone Must Eat? Liberia, Food Security, and Palm Oil' (Columbia University/SIPA, July 2013).

⁷¹Forest Peoples Programme, 'Hollow Promises', 9.

⁷²Sustainable Development Institute representative Silas Kpanan/Ayoung Siakor, Friends of the Earth, 'Land Grabs and Human Rights Violations Exposed in Liberia Ahead of Global Development Summit', <http://www.commondreams.org/newswire/2013/02/01/land-grabs-and-human-rights-violations-exposed-in-liberia-ahead-of-global-development-summit> (accessed 1 February, 2016).

In 2009, the government, recognising that the land issue was becoming increasingly a source of political tensions in the country, established the Land Commission and charged it with developing a clear strategy for dealing with land ownership and management. However, when the Commission issued its findings and recommendations in 2010, including for a 'moratorium on all concessions in order to examine customary land claims,' these recommendations were ignored and the government has continued signing concessionary agreements.⁷³ Likewise, there is little that indicates that passing of the Community Rights Law with Respect to Forest Lands in 2009 has improved customary law claims of communities.⁷⁴

Resettlement

Typically, concessionary agreements contain clauses regarding the displacement of communities. For instance, in the case of Sime Darby, the contract stipulates that if the company decides to develop land, it can request that the government move communities living on it. The company is not required to consult with the communities to secure their agreement to move nor does it need to give communities advance warning before the removal decision.⁷⁵ In most cases, those removed from their land received compensation. However, this compensation typically reimburses farmers for one harvest only. In some areas, for instance in Golden Veltreum concession, there is evidence of forced evictions that were not part of a negotiated resettlement plan between the company and the government and a resettlement committee, mandated by law, to help manage the process, did not exist. More recently, it appears that at the Golden Veltreum palm oil plantation, the pace of displacement accelerated during the Ebola epidemic. Local NGOs that were previously helping communities negotiate with the company and were now busy assisting these communities address the health crisis. Taking advantage of the situation the company allegedly took over significant areas of land, displacing those living there.⁷⁶

Moreover, in most concessionary areas, there are no grievance procedures or mechanisms that would provide a venue for raising community concerns.⁷⁷ United Nations Mission in Liberia (UNMIL) in fact notes that, 'concession agreements concluded with the Government of Liberia (...) impose very limited or only vague obligations on corporations to protect the human rights of individuals and workers.'⁷⁸

The lack of grievance procedures and unresponsive local governments has resulted in communities increasingly resorting to protest actions as well as to contacting the RSPO, an

⁷³Friends of the Earth, 'Live or Drive', 15. The moratorium was renewed in 2014.

⁷⁴In 2014, Liberia's Land Commission handed over to the President a draft Land Authority Act. It was subsequently sent to the legislature. In April 2016 the Senate passed the Act and sent it to the lower house for a vote. However, as of this writing, it has not been adopted. See, Sustainable Development Institute, Rights and Rice Foundation, Search for Common Ground, and National Civil Society Council of Liberia, 'What the People Say? Citizens Urge Government to Keep Promise to Formalize and Protect Customary Land Rights' (April 2015); Anne Schuit, 'Liberia Back in Business? Conflict and Human Rights Issues in a Post-conflict Environment', *SOMO Paper* (July 2015).

⁷⁵Friends of the Earth, 'Live or Drive', 22. Friends of the Earth investigation have found that the clearing of the first 10,000 hectares by Sime Darby resulted in the displacement of about 150,000 people. The company is permitted to remove communities at any time during their 63-year agreement. See also, Friends of the Earth Europe, 'Sime Darby and Land Grabs in Liberia' (June 2013).

⁷⁶Global Witness, 'The New Snake Oil? Violence, Threats, and False Promises at the Heart of Liberia's Palm Oil Expansion' (July 2015).

⁷⁷Bread for the World – Protestant Development Service 'Large-scale Land Acquisitions', 36.

⁷⁸United Nations Mission in Liberia, 'Human Rights in Liberia's Rubber Plantations: Tapping Into the Future' (May 2006), 5.

international certification body, seeking a resolution to their grievances. Neither strategy has been particularly effective, however, in resolving community concerns.

The impact on employment

One of the key rationales for encouraging FDI was the promise of new employment opportunities and improved living standards. Neither objective has been accomplished even before the Ebola crisis devastated the economy. In particular, stable, well-paying jobs have not materialised. In 2013, according to LEITI agricultural, mining and forestry and logging sectors employed only 15,321 people of the 372,702 employed Liberians.⁷⁹

Foreign companies have tended to hire most workers on temporary rather than permanent contracts. The salaries are typically very low. For instance, in the Sime Darby concessionary area by 2012, there were 2625 workers.⁸⁰ Of those up to 90% of employees worked on short term, three-month contracts that did not include health benefits, with salaries of three US dollars per day. Similar working conditions exist on other palm oil plantations and in iron ore mining concession areas.⁸¹ Moreover, although the contracts generally stipulate that companies need to hire Liberian workers, many get around these regulations, relying on foreign employees.⁸² Additionally, clauses that Liberians would be hired for skilled and managerial provisions have often gone unfulfilled, further contributing to the sense that local communities are not benefiting from the presence of these firms.⁸³ Reports of various violations of labour rights, such as safety standards, working hours and collective bargaining, have been common, as have been reports of sexual harassment and forced and child labour.⁸⁴ Furthermore, in the iron ore mining sector, the fall in global iron ore prices in 2015 has intensified labour conflicts as companies such as ArcelorMittal and China Union have laid off workers and rumours of mine closures have become widespread.⁸⁵

While the companies have not been expanding employment opportunities as communities had expected, the income-generating opportunities that have traditionally existed in PACs have dwindled. In some concessionary areas, companies do not allow communities to engage in their traditional cultivation practices, such as slash and burn. Furthermore, farmers in many concessionary areas are only allowed to grow food for family consumption. However, they are not permitted to sell the produce thus further limiting communities' ability to ensure food security. In the palm oil concession areas, communities have also

⁷⁹LEITI, *EITI Reconciliation Report for the Year ended 30 June 2013*, 10.

⁸⁰In 2011, Sime Darby Chairman promised that 35,000 will be hired over the next 15 years. 'Liberia: Sime Darby to Provide Over 35,000 Employment', *All Africa*, 30 December, 2011.

⁸¹Sustainable Development Institute, 'Community Relations in the China Union Concession', Briefing 1, (April 2014); Forest People's Programme, 'Hallow Promises'.

⁸²Friends of the Earth, 'Live or Drive', 19, 26; Author Interviews, Buchanan, Grand Bassa, July 2011. A recent survey found that there is a perception among Liberian youth that foreign companies are biased against local workers and prefer to hire foreigners. Search for Common Ground, *Youth to Youth*, 64.

⁸³Sustainable Development Institute, 'Liberia: Poverty in Midst of Plenty', 6; Author Interviews with civil society representatives, Buchanan, Grand Bassa County, July 2011.

⁸⁴Anne Schuit, 'Liberia Back in Business? Conflict and Human Rights Issues in a Post-conflict Environment' (SOMO Paper, Centre for Research on Multinational Corporations, July 2015), 5.

⁸⁵Martin K. N. Kollie, 'ArcelorMittal is Contributing to Joblessness in Liberia', *The Perspective*, 16 June, 2015; Cholo Brooks, 'Liberia: China Union Refutes Bankruptcy Reports', *Global News Network Africa*, 14 August, 2015. In January 2016, it was the Putu Mining that closed.

been prevented from growing and selling wild palms, traditionally an important source of income generated by women.⁸⁶ In some parts of the country, alluvial miners have also been displaced.⁸⁷ Key sources of revenue that families relied on in the past are therefore no longer available. In mining concessionary areas, environmental impacts are often severe and access to farmland is restricted while jobs within the mining sector remain limited.⁸⁸ As a result, in many communities, livelihoods have deteriorated as concessionary areas have expanded.⁸⁹

Agreements between the government and companies also often restrict community members' movements within and in the vicinity of the concessionary area, thus reinforcing the imbalance of power between companies and affected communities. Company personnel are permitted to stop and search people travelling on roads within the concession area and may deny them entry if they are deemed to be a security threat.⁹⁰ They are also permitted to deny entry into the concession area to anyone living outside of it.⁹¹ These regulations further constrain the ability of PACs to engage in diversified economic activities.

In addition to providing employment opportunities, concessionary agreements stipulate that companies need to provide a variety of social services, such as health and education facilities as well as housing. In some cases, infrastructure is also to be constructed by the company. As with employment generation, a number of problems have emerged. For one, the pace at which companies have fulfilled these obligations has often been slow and certainly much slower than what the communities had expected.⁹² Another problem that has emerged is that concessionary provisions stipulate that the housing as well as education and health services are to be provided not to the community at large but only to company employees and their dependents.⁹³ This has translated into deepening inequalities within the communities with some members having access to the goods and services that are inaccessible to others.⁹⁴

Third problem relevant in particular in mining concession areas, especially those of China Union, ArcelorMittal and Putu, is that the companies have not been fulfilling their obligations regarding infrastructure development. For instance, China Union did not, as stated

⁸⁶UN Women Liberia, Gender and Natural Resource Management, 'Taking the Long View: Sustaining Community Wealth through Gender Sensitive Natural Resource Management' (September 2014), 19–26.

⁸⁷Anne Schuit, 'Liberia Back in Business?' 5.

⁸⁸Sustainable Development Institute, 'Liberia: Poverty in Midst of Plenty', 6.

⁸⁹Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions in Liberia', 36.

⁹⁰For instance, the 2005 concessionary agreement signed by the National Transitional Government of Liberia and ArcelorMittal stated in Article X, Section 3 that, 'The CONCESSIONAIRE shall have the right in keeping with the provisions of the Laws, to directly or under contract with other persons, establish and maintain its own security force for the purpose of maintaining law, order and security, with power both of detention ... and of search of and exclusion from the Concession Area ... as may be properly restricted for economic, operational or security reasons'. Republic of Liberia, 'Mineral Development Agreement between the Government of the Republic of Liberia and Mittal Steel Holdings N. V.' (Monrovia, August 17, 2005), 14. For a critical assessment of the agreement, see Columbia Law School Human Rights Clinic, 'Legal Issues in the Mineral Development Agreement Between the Government of the Republic of Liberia and Mittal Steel Holdings', 22 February, 2006. The agreement was renegotiated the following year. However, from publicly available information, this section does not appear to have been modified. See for example, Raja Kaul and Antoine Heuty with Alvina Norman, 'Getting a Better Deal from the Extractive Sector: Concession Negotiations in Liberia, 2006–2008. A report to the Liberian Reconstruction and Development Committee, Office of the President of Liberia' (New York: Revenue Watch Institute, 2009), 29–37.

⁹¹Friends of the Earth, 'Live or Drive', 22–3.

⁹²Frequently, the timelines included in the contracts are quite long but the communities are often not aware of this since they rarely are able to see the concessionary agreement.

⁹³Silas Siakor, Darek Urbaniak and Paul de Clerck, 'Working for Development? ArcelorMittal's Mining Operations in Liberia', Sustainable Development Institute and Friends of the Earth (2010).

⁹⁴Bread for the World – Protestant Development Service, 'Large-scale Land Acquisitions', 51.

in the contract, reconstruct/revitalise Bong Mines railroad that was to connect Fuamah District to the port in Monrovia.⁹⁵ At the same time, while the promised benefits have not materialised, communities see mining companies extracting natural resources and generating significant profits. For instance, ArcelorMittal, between January 2013 and August 2014, shipped out iron ore worth about \$1 billion. However, the communities in its concession areas were disillusioned as the expected social benefits and employment opportunities did not meet expectations.⁹⁶

Another key problem has been the way the government has managed the social development funds financed by the companies. The management of these funds has been largely non-transparent and in many cases rather than benefiting the PACs, local politicians and civil servants have syphoned off fund resources. In Grand Gedeh for instance where in 2013 iron ore mining company PIOM contributed \$875,000 to the fund, only a new administrative building for the local government but no projects that benefited the PAC were undertaken.⁹⁷ In many concessionary areas, communities have not been consulted regarding how social funds should be utilised, contrary to regulations.⁹⁸

Community and government response in the concessionary areas

Public's reactions to the concessionary agreements have tended to follow a similar pattern. Initially, there is optimism and hope that the new investments will bring improved standards of living, new job opportunities and social services to the communities. Once companies begin operations, this optimism quickly fades and relations between PACs and companies deteriorate. Disappointment, resentment at the unfulfilled promises, the worsening environmental situation, the growing food insecurity and the lack of promised development has intensified communities' grievances. In both the palm oil and the mining areas, there has been an increase in the number of protests and demonstrations. A key factor driving community anger has been the lack of consultations, communication and engagement with the community by the companies.⁹⁹ In many concession areas, there is a perception that companies have increased divisions within communities, contributed to the intensification of land conflicts, have lied to communities about the benefits of their investments and have benefited from local government intimidation of the local population. The lack of access to independent legal council within communities and difficulty in accessing relevant documents has made people in PACs all the more vulnerable to marginalisation.¹⁰⁰ Consequently, over the last few years, the number of protests, sometimes violent, has been on the rise. At the same time, local governments have not been facilitating resolution of conflicts between communities and the companies. Rather, they have tended to stifle community demands, fuelling deepening mistrust.¹⁰¹

Over the last two years, the three largest iron ore mining concessions, China Union in Bong County, ArcelorMittal in Nimba County and PIOM in Grand Gedeh County, there have seen regular protests that have often resulted in violent confrontations between

⁹⁵Sustainable Development Institute, 'Liberia: Poverty in Midst of Plenty', 6.

⁹⁶Sustainable Development Institute, 'Liberia: Poverty in the Midst of Plenty', 21.

⁹⁷SDI, 'Community Relations in the Putu Iron Ore Mining Concession', Briefing 2, (July 2014), 7–8.

⁹⁸SDI, 'Community Relations in the Putu Iron Ore Mining Concession', Briefing 2 (July 2014), 9–11.

⁹⁹Lanier et al., 'Smell No Taste'.

¹⁰⁰Forest Peoples Programme, 'Harmful Social and Environmental Impacts of Liberia Palm Oil Project Exposed', April 14, 2015.

¹⁰¹Sustainable Development Institute, 'Liberia: Poverty in Midst of Plenty', 7.

demonstrators, companies and government security forces.¹⁰² The government's response has often been heavy-handed, as it has increasingly turned to the heavily armed Emergency Response Unit (ERU) to confront protesters and pacify the mine areas.¹⁰³ On a number of occasions, security forces have used live ammunition.¹⁰⁴ In October 2013, for instance, ERU officers fired live ammunition to disperse demonstrations at the China Union mines.¹⁰⁵ A similar incident occurred in July 2014 at ArcelorMittal's Nimba County mines, shots were fired after protests targeting lack of well-paid and stable employment opportunities, few development benefits and perceptions of local government's mismanagement of development funds escalated.¹⁰⁶ Violent confrontations have also taken place in palm oil concession areas. In May 2015, for example, protests erupted at the Golden Veleurem plantation in Sinoe County prompting UNMIL military and police to intervene.¹⁰⁷

Along with public demonstrations and protests, communities have also sought redress through other strategies. However, with a few exceptions, companies have been unresponsive to community grievances and demands. In 2011, communities living in the Sime Darby concession area, citing concerns with 'destruction of our sacred sites, destruction of our crops, damming of our creeks and streams, filling in of our swamps and forceful displacement of our people without adequate compensation,'¹⁰⁸ filed a formal complaint with the RSPO.¹⁰⁹ In 2012, communities living in the Golden Veleurem concession area likewise filed a complaint with the RSPO, accusing the company of violating the terms of the concession agreement and demanding that it freeze its operation until RSPO criteria were adhered. The community in the formal filing argued that the firm was 'taking away forcefully our customary land, facilitating our forceful eviction without our free and prior informed consent' and accused the local government authorities of collaborating with the company and using 'threats, intimidation, harassment and threat of arrest and detention' to break community resistance to the agreement.¹¹⁰ However, these appeals have had little success.

Protests have often been a reflection of community anger at both companies and at the local government, which is seen as unresponsive, not transparent and working against community interests. The anger is further compounded by the lack of visible improvements in services that were to be provided through financing by the development funds, while local

¹⁰²In Putu District, protests have erupted, for instance, over the company's unwillingness to hire 'locals for senior management positions or skilled laborers'. Sustainable Development Institute, 'Community Relations in the Putu Iron Ore Mining Concession', Briefing 2 (July 2014), 5.

¹⁰³Sustainable Development Institute, 'Liberia: Poverty in Midst of Plenty', 21.

¹⁰⁴'Liberia: Clashes Near ArcelorMittal Mine', *AllAfrica*, 6 July, 2014. In summer 2015, the Independent National Commission on Human Rights (INCHR) acknowledged that police brutality in Liberia has been increasing. 'Liberia: Police Brutality on the Rise', *AllAfrica*, 11 June, 2015. See also Freedom House *Freedom in the World 2015* notes, 'Labor disputes often turn violent, particularly at the country's various mines and rubber plantations. In July, demonstrations against the ArcelorMittal mining company in Nimba County escalated when protestors erected roadblocks and police fired live bullets to disperse the crowd', <https://freedomhouse.org/report/freedom-world/2015/liberia>

¹⁰⁵'ERU Officers Fire at Protesters in Bong Mines', *The Analyst*, 1 October 2013.

¹⁰⁶Sustainable Development Institute, 'Community Relations in the Putu', 6.

¹⁰⁷United Nations Security Council, 'Thirtieth Progress Report of the Secretary-general on the United Nations Mission in Liberia', 13 August, 2015. See also, 'Riots on the Plantation: In Liberia, Palm Oil Has Set Off a Dangerous Scramble for Land', *Al Jazeera*, 4 October 2015. Violent confrontations that saw ERU intervening to restore stability have also taken place in Grand Bassa County at the Equatorial Palm Oil plantation in September 2013. See for example, United Nations Security Council, 'Final report of the Panel of Experts on Liberia submitted pursuant to paragraph 5 (f) of Security Council resolution 2079 (2012)', 34.

¹⁰⁸Cited in Bred for the World – Protestant Development Service 'Large-scale Land Acquisition in Liberia', 33.

¹⁰⁹*New York Times*, 20 January, 2012.

¹¹⁰Alfred L. G. Brownell, 'Letter to Slahudin Yaacob, General Manager of RSPO', www.forestpeoples.org/topics/palm-oil-rspo/news/2012/letter-complaint-round-table-sustainable-palm-oil-rspo-indigenous (2012); Scoop, 'New Oil Palm Land Grabs Exposed: Asian Companies in Africa' <http://www.scoop.co.nz/stories/WO1211/S00052/new-oil-palm-land-grabs-exposed-asian-companies-in-africa.htm> (2012). See also Justin Kenrick and Tom Lomax, 'Golden Veroleum Liberia Oil Palm Concession', in *Conflict or Consent?* ed. Colchester and Chao, 332–36.

governments were clearly utilising these funds for their own purposes, such as building administrative buildings. As one recent report pointed out,

The interactions between communities and the Government of Liberia and the company are defined by a cycle of misinformation, miscommunication, and dissemination of misleading information. Even in instances where ArcelorMittal responds to community demands, its operations are hampered by abuses from its staff and local officials.¹¹¹

The government has not been sympathetic to community complaints and demands. The central government has tended to only focus on problems within the concession areas when grievances have erupted in protests. In those cases, the central government has generally sided with the companies when responding to community demands and made clear that they do not approve of such protests. It has been rare for President Johnson-Sirleaf to acknowledge that some of the concessionary deals may have been problematic. Even when she did, as in the case of Sime Darby protests in 2012, she argued nonetheless that,

When your government and the representatives sign any paper with a foreign country, the communities can't change it (...) you are trying to undermine your own government. You can't do that. If you do so all the foreign investors coming to Liberia will close their business and leave, then Liberia will go back to the old days.¹¹²

Likewise, when demonstrations against ArcelorMittal in Nimba country, President Johnson-Sirleaf threatened to use Nimba County's Social Development Fund's resources to repair damages caused by protesters.¹¹³

Conclusion

Attracting FDI has been a central component of Liberian government and donor's post-conflict reconstruction strategy. Both the government and donors expected that FDI would provide new employment opportunities, tax revenues and funds for social development and infrastructure reconstruction as well as facilitate reducing poverty and jump-starting the economy. Instead, however, the very success of policies aimed at encouraging FDI, this paper has argued, has resulted in undermining of government policies focused on tackling poverty and launching an inclusive, sustainable development model.

At the same time, the economic reconstruction policies explicitly aimed at avoiding recreating the pre-war political economy when a small political elite and foreign companies benefitted from the natural resource extraction while the majority of Liberians were politically and economically marginalised. These persistent horizontal inequalities fuelled grievances that contributed to the outbreak of the civil war as the Liberian Truth and Reconciliation Commission concluded.

Little more than a decade since the end of the civil war, however, the economic landscape of Liberia increasingly resembles the one that existed prior to the conflict. Once again, despite impressive growth rates, and large influx of FDI, the majority of Liberians have seen few benefits of these changes. Rather, poverty and unemployment rates have remained very high. Those living in concessionary areas who expected to see expanded employment

¹¹¹Sustainable Development Institute, 'Liberia: Poverty in the Midst of Plenty', 21; Lanier et al., 'Smell No Taste'.

¹¹²*New York Times*, 20 January, 2012.

¹¹³*Ibid.*

opportunities, improved social services and infrastructure have not seen much improvement in their livelihoods. In fact, for many, the expansion of concessionary areas has translated into loss of access to land, water and forests, and fewer income-generating opportunities. Salaries at foreign companies are low, there is a lack of employment security and labour code violations are common. Ironically, given the goals of the *Poverty Reduction Strategy*, PACs have tended to become more not less food insecure as FDI flows increased. As a consequence, tensions between PACs, companies and the government have grown and the number of protests has been on the rise. The government for its part has been either unable or unwilling to effectively address these grievances. Rather, it has tended to respond to the protests with heavy-handed tactics, increasingly relying on the heavily armed ERU to stop the demonstrations.

At the same time, despite a seemingly robust legal and institutional framework that was supposed to ensure accountability and transparency of concessionary agreements negotiation process and financial management, in practice, negotiations often took place behind closed doors and without consultations with PACs, and monitoring of companies' compliance with and enforcement of obligations spelled out in concessionary agreements has often been lax.¹¹⁴ At the local level, government officials have been frequently accused of syphoning off social development funds financed by the companies.¹¹⁵ The Liberian experience suggests that contrary to the expectation of the liberal peacebuilding model that FDI can be an effective mechanism for launching broad-based and sustainable economic development in post-conflict contexts is problematic. Rather, the very success of the Liberian government's efforts to attract FDI has undermined some of the other key policies it sought to implement and in particular those at the centre of its Poverty Reduction Strategy. Even more troubling, it has contributed to re-creating the very inequalities and marginalisations of the pre-war political economy that contributed to the eruption of the conflict. In other words, the very post-conflict context characterised by weak state institutions, patronage politics and dual legal systems governing among others reinforces the imbalance of power between local actors and powerful transnational companies, challenging the key assumptions at the core of the liberal peacebuilding model.

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¹¹⁴Friends of the Earth, 'Live or Drive', 17.

¹¹⁵See for example, Sustainable Development Institute, 'Where is the Money? Misuse of the ArcelorMittal Social Development Fund', 2011. A 2011 investigation into ArcelorMittal activities, for instance, found that the company has 'improper involvement in local political activities', providing 100 pick-up trucks to legislators. 'Complaint against ArcelorMittal Under the OECD Guidelines for Multinational Enterprises Request to the Netherlands National Contact Point (Netherlands Ministry of Economic Affairs) to initiate the procedures for the solution of conflicts and problems in the implementation of the Guidelines', Submitted on 24 January 2011.

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Notes on contributor

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