



Where is the Money?

More than US\$300 million could be lost to corruption and mismanagement if the government fails to reform the governance of development funds contributed by mining companies

Report

The Sustainable Development Institute (SDI)

2011 Liberia

accountability

transparency

financial control



capacity



“The current structure for managing the CSDF has yielded less satisfactory results due to the role of county stakeholders, lack of accountability and transparency in funds management, inadequate capacity to manage projects, lack of grassroots involvement in project selection and decision-making.”

The Dedicated Funds Committee comprising of representatives of the government of Liberia and ArcelorMittal, 2010

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executive summary



ArcelorMittal Liberia contributes US\$3 million annually for development in counties hosting its operations. This is in line with the terms of its Mineral Development Agreement with the government of Liberia. To date the company has paid US\$16 million to the County Social Development Fund. The County Social Development Fund is distributed to Grand Bassa, Nimba and Bong counties for development. A Dedicated Funds Committee, comprising of ArcelorMittal Liberia and government of Liberia representatives, was established to manage the Fund at the national level.

The Fund is being poorly governed and managed. As a result it is failing to make significant impacts on the lives of the target beneficiaries. The Dedicated Funds Committee bears the greatest responsibility for the overall mismanagement of the County Social Development Fund. The committee has failed to abide by its terms of reference and the guidelines that it developed to govern the Fund.

In 2009 the Dedicated Funds Committee approved disbursements of money from the Fund after the disbursements had already been made. The approval for the first series of projects was granted after the funds had already been disbursed to the counties by the Minister of Finance and the Minister of Internal Affairs; this was in violation of the guidelines governing the Fund. The second disbursements also did not adhere to the guidelines for review and approval of projects, and disbursements. These actions by the national oversight body set bad precedence for those managing the funds at the county level.

The annual audits have not been conducted as required by the terms of reference of the Dedicated Funds Committee. According to the Secretariat of the committee the only audit that was done in 2009 has not been completed. The committee has failed to conduct bi-annual evaluations of the Fund and projects it funds. The Dedicated Funds Committee has also failed to enforce the requirements for reporting outlined in the terms of reference of the County Development Management Committee. As a result none of the County Development Management Committees has fulfilled its quarterly reporting obligations. Because the Dedicated Funds Committee has failed on these other obligations, it has been unable to publish audits, evaluation and other reports as required.

Those implicated in the mismanagement of the fund have not been held to account. None of the Cabinet Ministers, confidantes and appointees of the President who have been at the centre of controversies surrounding the mismanagement of the County Social Development Fund has been investigated or prosecuted. Instead their conducts have been rewarded with impunity and they continue to occupy high places in government. For example, the Minister of Finance and Minister of Internal Affairs disbursed close to US\$7 million from the Fund before the Dedicated Funds Committee had approved any project. Although the committee later approved about US\$3 million out of this amount, as at April 2010 US\$4 million was still unapproved. The Minister of Internal Affairs then, Ambulai Johnson, who also chaired the County Development Management Committees at the time, was one of those alleged to have authorized the disbursements without the DFC approval. Although he was relieved of his post in 2010, he has not been investigated for his role in these transactions and the funds remain unaccounted for.

Left to right: The Dolokelen Gboveh Community College under construction in Gbarnga; Campaign poster of President Ellen Johnson Sirleaf during the 2011 elections; One of the five unused public toilets constructed in Nimba in 2010; front and back views of Ambulai Johnson (former Internal Affairs Minister) house on the Robertsfield Highway outside Monrovia. He was reportedly sacked soon after the house warming party for this house he built when he was Chair of the three County Development Management Committee; Anti-corruption billboard.



The weaknesses and challenges that continue to negatively affect the Fund include: lack of accountability and transparency; disregards for management and financial controls; inadequate capacity in fund management; limited citizens involvement in project selection and decision making and disagreements amongst County Development Management Committee members. It is therefore not surprising that an assessment of the Fund in 2010 – 2011 reveal that mismanagement and misuse of the fund continue unabated.

Between 2009 and 2011 twenty one projects were approved by the Dedicated Funds Committee and funding was made available for their implementation. Only seven of those projects have been completed as at August 2011. The majority of funded projects either stands abandoned or are incomplete, a small number of them are ongoing. Some of the projects that were completed in some counties are not being used or are not sustainable. For example, five latrines constructed in Ganta and Sanniquellie, Nimba County are not been used because they are incomplete.

The government and ArcelorMittal's plan to reform the County Social Development Fund is therefore a welcomed development. However, to demonstrate true commitment to transparency, accountability and public participation, the government and ArcelorMittal Liberia must begin with a forensic audit of the County Social Development Fund, investigate and prosecute those that will be linked to mismanagement and/ or misappropriation of funds, and punished those found guilty according to the law. Only then can a true process of reform begin; and only then can the public expect the social development contributions made by mining companies to make a difference.

recommendations



The government and ArcelorMittal Liberia must end the culture of impunity that characterizes the mismanagement of the County Social Development Fund. Those that have been involved in misuse and mismanagement of funds from the County Social Development Fund must be identified, investigated and prosecuted. The government and ArcelorMittal Liberia should also take steps to address the current weaknesses in the governance system. Specific recommendations regarding the main challenges to the governance of the CSDF are presented below.

To address the lack of accountability:

1. Commission a forensic audit of the Fund from the level of the Ministries of Finance and Internal Affairs, the Dedicated Funds Committee and down to the project managers at the local level. The audit should aim to not only identify system failures and weaknesses; it should also aim to gather evidence for possible prosecution.
2. All of those identified in the audit as being responsible for misuse and mismanagement of money from the Fund should be prosecuted. Those found guilty should be punished according to the law and barred from any involvement in the management of the fund now or in the future.
3. Commission a thorough and independent assessment of the County Social Development Fund. This assessment should properly evaluate the governance and management arrangement for the Fund, i.e. review and evaluate the performance of the Dedicated Funds Committee and County Development Management Committees. The assessment should also evaluate the consultation processes for projects, and the quality of projects with a focus on sustainability and equity, i.e. the extent of their impacts on the lives of beneficiaries in the three counties.
4. Suspend further disbursements to the counties until they have all reported on the projects that have been funded. These reports should be made public, and concerns that are raised in connection with their content be thoroughly investigated and resolved.
5. Built into the governance of the County Social Development Fund a robust and accessible complaint mechanism. This will provide citizens the means to hold accountable those in charge of the funds at the local level.

To address lack of transparency:

1. Publish the findings of the audit and independent assessment recommended above.
2. Publish a comprehensive list of the projects funded to date, their location and how much was spent on each of them.
3. Fully disclose the status of the various social development funds that the mining companies are under obligation to pay. This will satisfy the public's right to know, confirm whether or not the companies are in compliance with the terms of their agreements, and how these funds are being redistributed and used.

Images left to right: Billboard falsely claiming that the Nyonbein Town – Grand Kola road, Grand Bassa County was completed in 2010, to date the project is still incomplete; Damaged bridge on the Nyonbein Town – Grand Kola road.



4. For future infrastructure projects, construct billboards with full details about the project, including the total budget and the proposed completion date of the project. This will enable beneficiaries to monitor the project and be able to provide feedback on the use of their shares of the County Social Development Fund.

To address lack of citizens' participation:

1. The reform process should aim to devolve management of the allotments for various counties to elected or more representative committees in each county. These committees should involve various stakeholders, including women, youths, elders and traditional leaders. The individuals that will represent the various stakeholder groups should be identified through self-selection processes that are transparent and inclusive.
2. Provide for and support platforms at the national and local levels to facilitate broader and direct participation of citizens in decision making about the Fund. This will provide opportunities for representatives of various stakeholder groups to consult with and receive feedback from the broader constituency they represent.

To restructure the governance of the CSDF:

1. The Dedicated Funds Committee should be reconstituted and should include only those cleared of any wrongdoing, including misuse and mismanagement of money from the Fund. A reformed Dedicated Funds Committee should continue to provide oversight and guidance to the structures that will be put in place for the local management of each county's allotment.
2. Local government officials should be limited to providing oversight and guidance to the committee established in each county. They should not be actively involved in the identification and prioritization of projects.

General recommendation:

1. Publish the roadmap or final plan for reform to enable stakeholders to track progress. The plan should state when the audits will be finalized and published and also present a timeline for when the recommendations of the audits and evaluations will be implemented.

1. introduction

From left to right: The Dolokelen Gboveh Community College under construction in Gbarnga; Women in Grand Kola processing cassava.



ArcelorMittal Liberia contributes US\$3 million annually to the County Social Development Fund (CSDF) for development in the counties where they operate.¹ In 2006 ArcelorMittal Liberia paid US\$1 million because the Mineral Development Agreement was been renegotiated. Since 2007 the company has paid the full US\$3 million annually; this totals US\$16 million to date. According to the terms of the agreement, the beneficiary counties are Bong, Nimba and Grand Bassa.

‘There has been no evidence of community participation in needs prioritization and project selection in the three counties. Often, a few members of CDMC dominate the decision-making process to select projects.’

Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010, p.5

The government of Liberia and ArcelorMittal Liberia established a Dedicated Funds Committee to manage the CSDF. The committee comprises the Minister of Finance; Minister of Lands, Mines and Energy; Minister of Planning & Economic Affairs; The Minister of State for Presidential Affairs; and ArcelorMittal Liberia. The Minister of Lands, Mines and Energy chairs the Dedicated Funds Committee.² At the county level, the County Development Management Committee manages the disbursements to the counties. Each county level committee comprises of the Legislative Caucus, the County Superintendent, two prominent citizens, Chairman of the Council of Chiefs, and the Minister of Internal Affairs.³

The Dedicated Funds Committee (DFC) and the County Development Management Committees have performed poorly in the discharge of their duties. The Government of Liberia and ArcelorMittal Liberia have acknowledged that the management of the CSDF is poor and the governance system in place is not working well.⁴ As a result, dissatisfaction amongst citizens and stakeholders with the current governance and management arrangements for the CSDF at the national and local levels is palpable. Citizens of the beneficiary counties during the launch of an SDI report on the Fund in 2010 spoke out publicly on these issues and expressed concerns about the manner in which their benefits are rapidly being used with little results.⁵ In follow up interviews in the three counties and affected communities in 2011, citizens continued to express concerns about the lack of accountability and transparency in the management of the CSDF. Citizens are disappointed that the core issues underlying the misuse of the Fund, including the ineffective governance systems and the inability of political appointees to properly utilize the funds are not been addressed. Many of the citizens of the beneficiary counties are therefore calling for an alternative governance arrangement because the current centralized structure and the involvement of political appointees is not working.

footnotes

- ¹ Mineral Development Agreement between the Government of Liberia and Mittal Steel Holdings, N.V., 2005
- ² Revised Terms of Reference: Dedicated Funds Committee, September 2009
- ³ Revised Terms of Reference: County Development Management Committee, September 2009
- ⁴ Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010
- ⁵ Feedbacks from cross section of citizens attending the launch of the report ‘Working for Development’ in July 2010

'The capacity of the DFC to monitor projects and provide technical guidance to County Development Management Committees (CDMC) is less than satisfactory.'

Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010, p.6

In spite of the mismanagement of the CSDF the government and ArcelorMittal Liberia continue to disburse money to the County Development Management Committees (CDMC). To date the Dedicated Funds Committee (DFC) has disbursed about US\$12 million for projects in the three beneficiary counties.⁶ Some of the projects have been abandoned while others are not sustainable. The costs of some of the completed projects also appear to be inflated. The lack of meaningful public participation in the identification of projects, and lack of transparency and accountability in the management of project funds, continues to undermine the potential of the CSDF to make positive contribution to addressing rural poverty, enhancing community beneficiation from their natural resources and stimulating development. Another key failure of the current governance is the lack of a monitoring and evaluation. Officials at the local levels are also undermining the financial control systems. According to the DFC, 'most CDMCs have disregarded the measures on financial controls put in place by DFC'.⁷ To date none of those responsible have been held accountable for their actions.

The reason for inaction on the mismanagement of the CSDF is difficult to understand. In a presentation to stakeholders in Gbarnga in 2010, the DFC disclosed that about US\$7 million was disbursed from the Fund without its approval. Of this amount, the Ministries of Finance and Internal Affairs transferred about US\$2.9 million before the DFC approved the projects for which the funds were transferred. An additional US\$3.9 million was also transferred from the Fund without DFC approval; the DFC had not approved this additional US\$3.9 million at the time of the presentation in Gbarnga. The then Minister of Internal Affairs, Ambulai Johnson, who chaired the CDMCs at the time authorized the transfers to the counties; to accounts to which he was a signatory.⁸

As a key decision maker, with a veto in the DFC, ArcelorMittal Liberia shares equal responsibility for the poor governance of the funds. It contributes the funds and shares oversight responsibility equally with the government. The company holds a 50% decision making authority over the funds and that is sufficient leverage it can use to ensure that the funds are properly used. Instead of admitting its failures, the company whenever challenged to do better tries to deflect responsibility.

The Sustainable Development Institute (SDI) published a report in 2010 outlining some of these issues and challenged the government to reform the CSDF in order to properly address the concerns of the beneficiaries.⁹ During the presentation of the SDI report in Grand Bassa, Bong and Nimba, community delegates further confirmed the findings and conclusions of the report. As a result of calls to reform the governance arrangement for the Fund, the government came under pressure to rethink the management of the CSDF in order to reposition it as a key source of development funding in the beneficiary counties. The public, including various civil society organizations, welcomed the government's decision to reform the governance of the CSDF.

This report assesses the effort of the government to reform the CSDF and builds on the 2010 report. The report however, goes beyond the CSDF assessment to highlight the fact that much more than the CSDF is at stake. If all the mining contracts go ahead and the companies start operations on schedule, more than US\$300 million would have been paid by mining companies for community development by 2035. This report therefore uses the poor management of the ArcelorMittal Liberia contribution to highlight what is at stake and warns that communities hosting mining operations will once again be left in the cold, the promised benefits will not be delivered, and the rate of poverty in their communities will continue to increase – unless there is a radical overhaul and reform of the CSDF. The stakes are high and at such urgent actions are needed to put the situation on a proper course.

footnotes

- 6 DFC Secretariat up to date details on projects in Bong, Nimba and Grand Bassa Counties [undated]
- 7 Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010, p.5
- 8 Dedicated Funds Committee, Guidelines, Project Submission, Approval and Management, Revised May 2009
- 9 Working for Development? ArcelorMittal's mining operations in Liberia, 2010 [accessible online http://www.foeeurope.org/publications/2010/Working_for_development_june2010.pdf]

Box 1: Complaint against ArcelorMittal operations in Liberia under OECD Guidelines for Multinational Enterprises

In 2010, the Sustainable Development Institute (SDI) together with Friends of the Earth Europe (FoE Europe) filed a complaint against ArcelorMittal under the OECD Guidelines for Multinational Enterprises to the Netherlands and Luxembourg National Contact Points on the non-implementation of the OECD Guidelines by ArcelorMittal in Liberia. The OECD Guidelines provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation.¹⁰

The complaint relates to the implementation of two chapters of the Guidelines: II – General Policies and VI – Combating Bribery. The complaint is now being jointly investigated by the Dutch and Luxembourg National Contact Points.

A. Violation of Chapter II – General Policies

ArcelorMittal is not adhering to three (3) of the General Policies of the guidelines that call on enterprises to take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders.

Specifically, with regard to **Article 1 of the General Policies** that requires enterprises to: ‘Contribute to economic, social and environmental progress with a view to achieving sustainable development’ and **Article 7 of the General Policies** that calls on the enterprises to: ‘Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.’ Complainants believe that the company’s current performance in relation to society is not adequate to result in confidence and mutual trust and does not contribute to achieving sustainable development.

A report published by the SDI and FoE Europe¹¹ illustrates that:

- The County Social Development Fund that is established and governed by the government of Liberia and ArcelorMittal Liberia is failing to address the needs of communities impacted by the operations of ArcelorMittal Liberia.
- ArcelorMittal Liberia is not properly informing some of the neighbouring communities about its operations and the possible impacts on these communities.

With regard to **Article 11 of the General Policies** that requests enterprises to ‘Abstain from any improper involvement in local political activities’, Complainants and other civil society organisations such as Global Witness have already stated that the donation of 100 pick-up trucks to the government of Liberia - allegedly to support agricultural activities across the country - is viewed as the company’s direct involvement in local politics. ArcelorMittal Liberia must be aware that in a country with high corruption, such donations might easily end up in the wrong hands. This is what actually happened; the pickup trucks mostly ended up in the hands of legislators. ArcelorMittal Liberia did not undertake effective steps to correct this. The result was that ArcelorMittal’s donation ended up in the hands of decision makers that deal with decisions regarding the companies’ investments in Liberia. This is unacceptable and an obvious violation of the OECD guidelines. This violation is further elaborated below.

B. Violation of Chapter VI – Combating Bribery

The donation of 100 pick-up trucks by the company to the government of Liberia breaches one (1) of the articles of the Combating Bribery section of the guidelines.

The section states that ‘enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage.’

Specifically, Article 1 of the Combating Bribery section calls on enterprises to ‘not offer, nor give in to demands, to pay public officials or the employees of business partners any portion of a contract payment. They should not use subcontracts, purchase orders or consulting agreements as means of channeling payments to public officials, to employees of business partners or to their relatives or business associates.’

footnotes

- 10 http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,100.html
11 http://www.foeurope.org/publications/2010/Working_for_development_june2010.pdf
12 http://www.foeurope.org/corporates/pdf/Letter_from_AML_to_FOEL_2009_1.pdf

In August 2008 ArcelorMittal Liberia 'donated' 100 pick-up trucks to the government of Liberia. According to the company, the donation of the vehicles was in direct response to an appeal from the President of Liberia for vehicles to support agricultural activities in rural areas. ArcelorMittal Liberia also indicated that there was an understanding with the government that the Ministry of Internal Affairs would ensure the proper use and monitoring of the vehicles.

However, upon arrival the vehicles were assigned to legislators instead of the Ministry of Agriculture. Virtually all the legislators (except two Senators) accepted and are using the vehicles and not for agricultural activities in their constituencies. For example, of the fifteen pick-ups that were given to legislators from Grand Bassa, Gbarpolu and Rivercess counties, only one of the pick-ups is actually being used by the Agriculture Officer in Grand Bassa County.

During the Complainants fact finding mission to Liberia in 2009, it was confirmed that almost all of the vehicles are being used by members of the Liberian parliament and not for agricultural purposes.

Complainants acknowledge that the company donated 100 pick-up trucks to the government as a direct response to a request for such a donation by the President. These trucks ended up in the hands of decision makers that in the future will have to decide on issues regarding ArcelorMittal Liberia investments in Liberia. Not only can ArcelorMittal Liberia retain advantage from that in the future, the company should have also realised that in a country with high corruption, such donations might easily end up in the wrong hands and therefore should not have engaged in such activity.

As such, this act of ArcelorMittal Liberia can be viewed as paying public officials. This act is also in contradiction with their plight not to use subcontracts, purchase orders or consulting agreements as means of channeling payments to public officials (Article 1, Combating Bribery) as well as an improper involvement in political activities (Article 11, General Policies) in order to retain business.

ArcelorMittal Liberia in a letter to Complainants dated February 18 2009 confirmed that the 'donation' of the vehicles was in direct response to an appeal from the President of Liberia. In the same letter ArcelorMittal Liberia indicated that there was an understanding with the government that the ministry of Internal Affairs would ensure the proper use and monitoring of the vehicles. Further on, ArcelorMittal says, the 100 pick-up trucks were donated to the government of Liberia to support agricultural activities across the country.¹²

In a letter to Lakshmi Mittal (company owner) dated May 7, 2009,¹³ in which Complainants requested clarification of the 'donation' issue, Complainants stated that 'it is not right for ArcelorMittal to put the full responsibility for proper use of the pick-ups on the Liberian government'. This call for the company to act on this issue was repeated again by Complainants in another letter sent to ArcelorMittal on March 12, 2010.¹⁴

In response (letter from ArcelorMittal, dated March 31, 2010) the company stated that 'the vehicles are at the disposal of the Liberian Government and their use is monitored and enforced by the General Services Agency.'¹⁵

As of May 2010, almost 2 years after donating the vehicles to - in fact - Liberian politicians instead of the Liberian government to be used for agricultural purposes, ArcelorMittal failed to take action to undo this improper act. Complainants view this inaction on the company side as a lack of willingness to demonstrate respect for high standards of business conduct and as a violation of Article 1, Combating Bribery, and article 11, General Policies, of the OECD guidelines.

The OECD Guidelines state that today's competitive forces are intense and multinational enterprises face a variety of legal, social and regulatory settings. In this context, according to the OECD, some enterprises may be tempted to neglect appropriate standards and principles of conduct in an attempt to gain undue competitive advantage. Donation of vehicles by ArcelorMittal to serve private needs of Liberia's politicians and the inaction to resolve this issue places the company within this group of enterprises.

Through the CSDF, ArcelorMittal Liberia has contributed to misuse of funds and corruption among officials. Thus, they violated Article 5 of the Combating Bribery section of the guidelines that calls on companies to adopt management control systems that discourage corrupt practices.

The behavior and practices of ArcelorMittal Liberia demonstrate that the company does not ensure that its operations in Liberia are in harmony with OECD Guidelines. The company's behavior does not aim to strengthen the basis of mutual confidence between enterprises and the societies in which they operate. This also does not help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises.

footnotes

- 13 http://www.foeeurope.org/corporates/pdf/Letter_from_FOEL_to_LMittal_2009_2.pdf
14 http://www.foeeurope.org/corporates/pdf/Letter_from_GAAM_to_AML_2010_3.pdf
15 http://www.foeeurope.org/corporates/pdf/Letter_from_AML_to_GAAM_2010_4.pdf

2. the county social development fund

CSDF OVERVIEW - CHALLENGES

County	Statutory Allocation per Contributions to Date (US\$)	Allocation Approved by DFC (US\$)	Actual Disbursement Approved by DFC (US\$)	Unapproved Disbursement
Nimba	6,500,000	3,245,130	*1,500,000	1,997,186
Grand Bassa	4,333,333	1,000,000	*1,000,000	1,331,493
Bong	2,166,667	495,000	*495,000	665,747
Total	13,000,000	4,740,130	2,995,000	3,994,426

Challenges:

- Mismanagement of the County Social Development Fund (CSDF)
- Not being used satisfactorily due to the following reasons:
 - Lack of accountability & transparency
 - Inadequate capacity to fund allocations
 - Limited government involvement in project selection and decision making
 - Disregard for management & financial controls
 - Development amongst County Development Management Committees

The Mineral Development Agreement (MDA) between the government of Liberia and ArcelorMittal Liberia obliges the company to contribute US\$3 million annually for development in counties hosting its operations. As at August 2011, the company has paid US\$16 million to the County Social Development Fund (CSDF). Twenty percent (20%) of this amount is designated for communities considered **directly affected** by the company's operation in the three counties benefiting from the CSDF.

The government of Liberia and ArcelorMittal established a Dedicated Funds Committee (DFC) to manage the CSDF. The President appointed the members of the DFC in May 2008. The DFC comprises the Minister of Finance; Minister of Lands, Mines and Energy; Minister of Planning & Economic Affairs; Minister of State without portfolio; and ArcelorMittal Liberia. The Minister of Lands, Mines and Energy is the chairperson of the Dedicated Funds Committee.¹⁶ The President also appointed County Development Management Committees (CDMCs) to manage the disbursements to the counties. The CDMCs

comprise of the Legislative Caucus, County Superintendent, two prominent citizens, Chairman of the Council of Chiefs, and the Minister of Internal Affairs.¹⁷ Instead of providing the guidance and oversight needed to ensure that the CSDF benefits people in the beneficiary counties, the DFC and the CDMCs have both been implicated, by their own admission, in mismanagement of the Fund.¹⁸

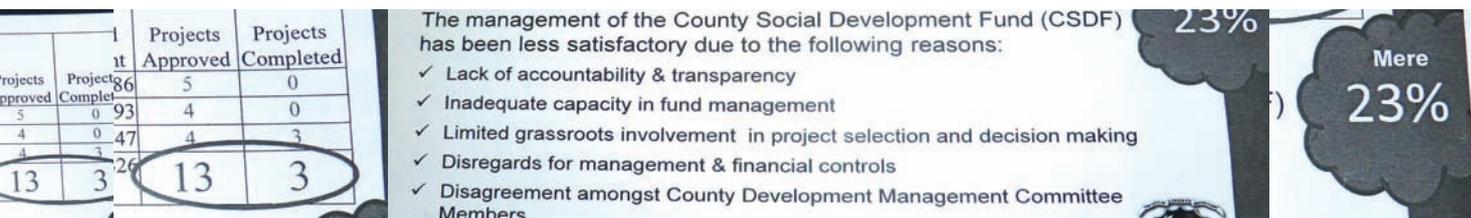
In 2009, the DFC conducted an assessment of projects funded by the CSDF. The full report of that assessment has not been made public. The DFC however claimed in a reform strategy it released in 2010 that **'the findings and recommendations of the monitoring visit helped address some critical bottlenecks and challenges in management at the county and national level'**¹⁹ and that this led to revisions of the Guidelines for Management of the CSDF. The DFC also claimed in 2010 that the General Auditing Commission conducted an audit of the CDMC in October 2009 but the GAC has not made the report public.

1 **Table** ArcelorMittal annual contribution to the CSDF as at December 2011 (US\$)

Country	2006	2007	2008	2009	2010	2011	Total
Nimba	500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	8,000,000
Grand Bassa	333,300	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,333,300
Bong	166,700	500,000	500,000	500,000	500,000	500,000	2,666,700
Total	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	16,000,000

footnotes

- 16 Revised Terms of Reference: Dedicated Funds Committee, September 2009
 17 Revised Terms of Reference: County Development Management Committee, September 2009
 18 Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010
 19 Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010, p.5



What the DFC failed to highlight is the role of senior cabinet Ministers, confidantes and appointees of the President in the mismanagement of the CSDF. For example, in a presentation to stakeholders in 2010, the DFC noted that the Minister of Finance and Minister of Internal Affairs had disbursed close to US\$7 million from the CSDF before DFC had approved projects. Although the DFC later approved about US\$3 million out of this amount, at the time of the presentation about US\$4 million was still unapproved. The table below extracted from the presentation provides greater clarity on the issue.

To put the above weakness into perspective, a number of points are worth noting. First, the Minister of Finance is a member of the DFC²¹, and can be assumed to have participated – if not played a major role - in the design of the financial controls and management system. Second, the Minister is also the person responsible for ensuring fiscal discipline in government. Therefore, to disregard the financial control system agreed by the DFC, and without approval disburse about US\$7 million from the CSDF account is inexcusable. Similarly, the Minister of Internal Affairs is the Chair of the CDMCs,²² the committees managing the disbursements at the county level. The Minister is also a signatory to the bank account of the three CDMCs.²³ The Minister by participating in the withdrawal of the fund from

the national level and transferring it to accounts, at the county levels, that he is a signatory to and where he wields significant influence raises questions about the credibility and internal control of the system. In addition to these questionable transactions at the national level, the activities of all the CDMCs were characterized by scandals regarding their poor management of the funds released to them.²⁴ For example, in 2009 ArcelorMittal released a report that exposed the decision of the CDMC in Grand Bassa to spend US\$200,000 of the first US\$1 million disbursed to the county on administrative costs, and without approval from the DFC.

To address the weaknesses in the system, the DFC was instructed to develop a strategy and to lead a process of reforming the CSDF. The DFC developed a strategy and presented it to stakeholders in 2010. Key objectives outlined in the reform strategy included: strengthening the policy and oversight role of the government and ArcelorMittal in the management of the CSDF; building stronger partnerships and capacities in the management of the CSDF through increased involvement of all stakeholders; ensuring citizens participation in development needs prioritization; promoting accountability and transparency in achieving community development objectives supported by the CSDF; implementing a robust information dissemination system; and conducting regular project monitoring and evaluation.²⁵

2 Table Allocations, approvals, and disbursements from the CSDF in US\$ (2006 – 2010)²⁰

Country	Total statutory allocation	Approved disbursement	Unapproved disbursements
Nimba	6,500,000	*1,500,000	1,997,186
Grand Bassa	4,333,333	*1,000,000	1,331,493
Bong	2,166,667	*495,000	665,747
Total	13,000,000	*2,995,000	3,994,426

* These funds were already deposited in County accounts by the Ministry of Finance and the Ministry of Internal Affairs before the DFC had approved projects for these amounts.

footnotes

20 Presentation by the DFC Reform Committee, June 2010
 21 Revised Terms of Reference of the DFC, September 2009
 22 Revised Terms of Reference of the CDMC, September 2009
 23 Revised Guidelines for Project Submission, Approval and Management, May 2009
 24 Working for Development? ArcelorMittal's mining operations in Liberia, 2010
 25 Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010

3. the dedicated funds committee



The Dedicated Funds Committee (DFC) was set up at the national level to govern the CSDF. To ensure adequate checks and balances the DFC agreed that decisions related to project approval and funding would be by consensus. This, it seems, was designed to ensure that ArcelorMittal or the government would have the right to veto projects that it deemed not in line with the agreed guidelines. To date the DFC has disbursed about US\$12 million, out of the US\$16 million paid by ArcelorMittal to the CSDF, for projects in the three beneficiary counties.²⁶ An assessment of these projects in 2011 revealed that some of the projects have been abandoned, while others are not sustainable. But more disturbing is the observation that the costs of the few projects that have been completed appear to be inflated.

To ensure that the process and terms for evaluating projects was transparent and accessible to all beneficiaries, the DFC established guidelines for project development, appraisal and approved. These guidelines were revised in September 2009. The revised guidelines to the credit of the drafters, is fairly comprehensive. Some key elements of the DFC's mandate are summarized below²⁷:

1. Receives and reviews project proposals. Once a project is approved the committee then authorizes the release of the specific funds requested in the proposal.
2. Constitute an annual independent audit of the CSDF to ensure that fund management is in accordance with generally accepted accounting principles.
3. Conduct bi-annual evaluation of the CSDF and projects funded by the CSDF.
4. Each member nevertheless reserves the right to conduct independent monitoring of funds utilization and project management.
5. Receive and review quarterly reports from the CDMCs regarding projects funded by the CSDF.
6. Provide annual reports to the President of Liberia and the Board of Directors of ArcelorMittal Liberia.
7. Publish all audits, evaluation and other reports and circulate them among interested parties and the public.

The Sustainable Development Institute (SDI) started monitoring the CSDF in 2009. Based on the findings of the monitoring activities, as well as stakeholders' assessments, SDI concludes that the DFC comprising ArcelorMittal and government representatives bears the greatest responsibility for the overall mismanagement of the CSDF. The DFC has failed to abide by its own terms of reference and the guidelines that it developed to govern the CSDF.

First, as noted in Table 2, the DFC approved disbursements of funds from the CSDF account after the fact. The approval for the first series of projects was granted after the funds had already been disbursed to the counties by the Minister of Finance and the Minister of Internal Affairs. The second disbursement also did not adhere to the guidelines for review and approval of projects and disbursements. Second, the annual audits have not been conducted as required by its mandate. According to the Reform Strategy published in 2010, the report for the audit that the DFC claimed was done in 2009 has not been submitted to the committee. Third, the DFC has failed to conduct bi-annual evaluations of the CSDF and projects it funds. Fourth, the DFC has failed to enforce the requirements for reporting. According to the DFC, none of the CDMCs have fulfilled their quarterly reporting obligations. Fifth, the DFC, because it has failed on all the other counts, has been unable to publish audits, evaluation and other reports as required. Various requests from SDI for official updates on projects being funded have gone unanswered. The secretariat has provided mostly unofficial and oral updates, some of which have been disputed by project managers and other stakeholders on the ground. Finally, even though the DFC and stakeholders concurred in 2009 and 2010 that there was a lack of meaningful public and grassroots participation in the identification and prioritization of projects, there is no evidence that the situation has changed for the better. Lack of transparency and accountability in the management of funds continues to undermine the potential of the CSDF to make positive contribution to addressing rural poverty and stimulating development. This dismal performance of the DFC, although at the root of squander of the CSDF, pales alongside the performance of the CDMCs.

footnotes

²⁶ DFC Secretariat up to date details on projects in Bong, Nimba and Grand Bassa Counties [undated]
²⁷ Revised Terms of Reference of the DFC, September 2009

Box 2: Keeping citizens in the dark: limited access to information is hampering effective monitoring of the CSDF at all levels

The Dedicated Funds Committee (DFC) is the highest decision making body and is responsible for oversight of the ArcelorMittal County Social Development Funds (CSDF). The DFC as a matter of best practice and legal requirements is under obligation to facilitate public access to information regarding the governance, management and use of the CSDF; the committee is accountable to the public in this respect. According to the Freedom of Information Act passed in 2010, every Liberia has the right of access to information generated, received and or held by public bodies. In contravention of this legal obligation the DFC has not been forthcoming in making information available when asked. The key members of the DFC including the Minister of Lands, Mines and Energy, who chairs the committee and ArcelorMittal, have failed to address formal requests for information made by SDI.

In 2011, SDI made several requests for information directly to the DFC. The letters were addressed to the Minister of Lands, Mines and Energy in his capacity as Chair of the committee. In separate communications SDI requested appointments with the DFC to discuss concerns about the CSDF. Separate requests for information to other members of the DFC including ArcelorMittal Liberia and the Minister of State without portfolio were not addressed and instead they directed SDI to make all inquiries to the DFC. To date, the Minister has not responded to any of the requests for information or meeting.

The Secretariat of the DFC on the other hand responded to some of SDI requests for information but in an unsatisfactory manner. The Secretary provided verbal briefings even though the organization made it emphatically clear that it preferred formal responses and in writing, documents to back up the assertions being made, and reports from the field. Information regarding the location of various projects, disaggregated costs of projects approved by the DFC, and full listing of all projects that have been funded, has not been provided to SDI. In other instances, the release of information has been slow and selective. Information such as the policy guideline, reform strategy, and funds disbursement update were not made readily available when requests were made. Request had to be made repeatedly before they were provided. In some instances the Secretary justified withholding information requested by noting that the requested information was personal; the information was ‘her information’.

Images left to right: Incomplete work on the Grand Kola Road, workers abandoned laying these culverts mid-way during the road construction in Grand Bassa County.

4. the county development management committees



Like the DFC, the CDMCs were constituted by the president in 2008. Broadly, the CDMC was tasked to lead identification, prioritization and implementation of projects in the beneficiary counties. The revised terms of reference for the CDMC issued in September 2009 required each CDMC to lead a countywide consultative process to set development priorities for the county clearly identifying the short, medium and long-term targets. For clarity the terms of reference directed each CDMC to ensure that the 'process include all stakeholders at the village, town, chiefdom, district and county level'²⁸ and stressed that the prioritization process use the County Development Agenda (CDAs) as the basis; the CDAs were developed in 2008 and provide information regarding development needs and priorities in each county.

To ensure transparency and accountability, the terms of reference also tasked the CDMCs to 'submit its records to an annual independent audit that will ensure that funds management is in accordance with generally accepted accounting principles'²⁹. As a further measure of transparency, each member is to be provided a copy of the bank statement of the CDMC at the end of every quarter. The CDMCs were also required to submit quarterly progress reports to the DFC regarding project management. As in the case of the DFC, any member of the CDMC may conduct an independent monitoring of funds utilization and project management and their reports would form the basis for remedial or corrective actions on the part of the CDMC.

In spite of these provisions the CDMCs are failing to follow the guidelines and are therefore performing rather poorly. As shown in Table 3 below out of the thirteen projects that had been funded by 2010, only three of those had been completed. The information in Table 3 is based on information contained in the DFC reform strategy.

3 **Table** Projects funded and implemented as at April 2010 (all amounts in US Dollars)³⁰

Country	Statutory allocation	Total disbursement	Projects Approved	Projects completed
Nimba	6,500,000	3,497,186	5	0
Grand Bassa	4,333,333	2,331,493	4	0
Bong	2,166,667	1,160,747	4	3
Total	13,000,000	6,989,426	13	3

footnotes

²⁸ Revised Terms of Reference for the CDMCs, September 2009, p.2

²⁹ Revised Terms of Reference for the CDMCs, September 2009, p.2

³⁰ DFC Reform Committee, Presentation Proposed Reform Strategy, June 2010

The DFC highlighted issues that contributed to this poor performance in the reform strategy. These included: lack of accountability and transparency; disregards for management and financial controls; inadequate capacity in fund management; limited grassroots involvement in project selection and decision making and disagreements amongst CDMC members. The DFC also charged that 'projects are selected by a few members of CDMCs, who

dominate the decision-making process'³¹. Also, the CDMC in Bong County, where the 'highest success rate' was achieved, totally ignored the requirement for 20% of the funds to be spent in communities with 'closest proximity' to ArcelorMittal Liberia operations. This, according to the DFC led to 'several complaints from communities about direct investment in their localities'.³²

Box 3: Grand Bassa PIU reports on how they are now consulting citizens in the county

Project identification and prioritization is one of the failings of the three CDMCs. Following criticisms from various stakeholders including the DFC, the CDMCs claim that they have improved the situation and are indeed consulting with beneficiary communities. But as the case study from Grand Bassa shows, the attempt doesn't meet the standards of good consultation. Below is the minutes of a community meeting organized for the people of Diahn-Blae Statutory District (District #1) to decide on development priorities for their community.

The population of the district is 24,612. Fourteen (14) members of the community, including two local government officials, attended the meeting. According to the official minutes culled from the report of the Grand Bassa County Project Implementation Unit (PIU), the actual deliberation of the community participants lasted 'few minutes'.³³

Diahn-Blae Statutory District (District #1)

This meeting was held on September 12, 2011 at the Statutory Headquarters formerly Civil Compound 1 and chaired by the Statutory District Superintendent Hon. Samuel P. Karmanjay. Opening prayer was done by Rev. Andrew M.

Bier, a youth representative from Sonnie Wein Clan. Hon. Karmanjay then made the welcome remarks and recognized the presence of the Acting Development Superintendent for Grand Bassa County, Mr. Christian Logan.

Self-introduction was done by each participant and followed by an overview of the meeting and update on the Grand Bassa County Social Development Funds which was done by Ebenezer A. Zondoe, Project Specialist of the PIU. Mr. Zonoe made his presentation in the local dialect and was translated in English by the Statutory Superintendent. There was huge applause from the audience as Mr. Zonoe gave the update of projects funded by the SDF [social development fund] thus far.

Following Mr. Zonoe's presentation, the citizens expressed gratitude for the update and said it was clear enough to them and they asked the PIU to excuse them for few minutes so that they would discuss their most needs as a district. After several minutes of deliberation among themselves, the citizens came up with the below projects as their most needs:

- 1.** Rehabilitate the road from Flomo Town to Nyuwholo Town (Lloydville)
- 2.** Clinic with nursing quarters (Compound 1)
- 3.** Primary school in Nyakporlela town (Worr)

footnotes

³¹ Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010, p.6

³² Ibid

³³ Report: 2011/2012 Community Consultative Meetings, Grand Bassa CDMC, October 20, 2011

In spite of the acknowledgment that the fund management was poor, that the structures and systems in place were not working, and that there was a need to reform the governance and strengthen oversight, the government and ArcelorMittal Liberia have continued to disburse funds to the CDMCs; as though getting the money out is the priority instead of the proper utilization of the funds. But more disappointingly, the government has failed to properly investigate concerns about mismanagement, reports of outright theft of county funds, nor hold anyone accountable for their role in the mismanagement of the CSDF. It is therefore not surprising that an assessment of the fund in 2010 – 2011 reveal that mismanagement of the fund continues unabated.

Between 2009 and 2011 twenty one projects were approved by the DFC and funding was made available for their implementation. Only seven of those projects have been completed as at August 2011. The majority of funded projects either stands abandoned or are incomplete, a small number of them are ongoing. Projects that were completed in some counties are not being used or sustainable.

There remain criticisms about marginalization and exclusion in project identification and prioritization. According to ArcelorMittal Liberia report on the stakeholder conference held in Gbarnga, Bong County in August 2011, communities are not totally involved in the identification of their own projects; the process is being influenced by county and local leadership.³⁴ Project and financial management also remain poor. For example, in some instances there are no supporting documents to support expenditures of project funds. Meanwhile the reform process remains stall and the government and ArcelorMittal Liberia continue to disburse funds to the same officials that have presided over the funds from the onset. The table below provides details of the total contribution disbursed by ArcelorMittal Liberia to the government of Liberia, the statutory allocation per county, actual disbursement to the counties, number of projects approved and projects completed to date.

4 Table Total disbursements to counties as at August 2011³⁵

Country	Statutory allocation	Total disbursement	Projects Approved	Projects completed
Nimba	8,000,000	6,430,000	6	0
Grand Bassa	5,333,333	3,785,000	7	2
Bong	2,666,667	1,592,881	8	5
Total	16,000,000	11,807,881	21	7

footnotes

³⁴ Report, ArcelorMittal Second Stakeholder Engagement Conference, 5 August 2011

³⁵ DFC Secretariat up to date details on projects in Bong, Nimba and Grand Bassa Counties [undated]

Images left to right: Abandoned and unused toilets in Ganta and Sanniquellie, Nimba County. Four of these toilets were reportedly constructed for a total of US\$70,000.

5. status of projects in nimba county



As shown in the previous table Nimba County receives the highest allocation from the County Social Development Fund (CSDF). As at 2011 US\$8 million had been allocated to the county. Out of this amount, about US\$6.4 million had been disbursed to the county to support six projects. The projects approved in 2009 included: constructing three elementary schools and equipping four high school laboratories in the county at a cost of US\$340,310; building residences for health workers in the ten districts of the county at a cost of US\$290,540; training farmers, distributing seeds and tools to farmers and cultivating 300 acres of cash crop for the county at a total cost of US\$341,255; empowering vulnerable women and providing loans for small businesses run by women and girls to the tune of \$152,181 and purchasing road equipment to improve and maintain all roads in the county at a cost of \$2,120,842. None of these projects were implemented in 2009-2010. Most of the money were instead diverted to support projects aimed at preparing the county for the Independence Day celebration in 2010. The new projects included purchasing a generator and electrifying the streets of the provincial capital, Sanniquellie City, rehabilitating roads and bridges in the city, and building public latrines in Sanniquellie and Ganta, the most populated city in the county. There is limited and unreliable information about the exact number of projects funded to date, how much of the funds that were released in 2009 was actually diverted to these new projects, and how much was actually spent – no report has been made public to this effect since 2009.

In the midst of this, media reports alleging corruption and misuse of funds have been widespread. In mid 2010, the weeks leading up to the Independence Day celebration in the county, the print and electronic media was inundated with stories about how county officials were mismanaging the funds disbursed to the counties. At the centre of these reports were constant references to conflicts amongst county officials and members of their Legislative Caucus regarding the use of the funds.

According to the DFC only one of the six projects approved for Nimba County is ongoing and the other five projects have been abandoned. However, if the projects for which funds were diverted are included, the number of abandoned projects would be higher.

In 2011, SDI conducted series of assessments visits to Nimba County. During these visits SDI assessed five latrines constructed in Ganta and Sanniquellie. All five of these latrines have been abandoned. These projects were poorly conceived and designed and it is difficult to understand how the DFC could have authorized such projects; if it did. For example the toilets require regular supply of water (to flush the commodes installed in the toilets) but both cities lack pipe borne water. Wells and water towers or reservoirs were constructed for the toilets, but no submersible pump was installed and neither was generators procured to pump water into the reservoirs. As a result the commodes cannot be used. People interviewed in Ganta and Sanniquellie claimed that each latrine cost US\$14,000; hence US\$70,000 spent on latrines has gone to waste.

The DFC has not provided details about the location of each project to facilitate an independent assessment and verification. The DFC and county officials interviewed did not give reasons why some of the projects were abandoned. As have been reported there is no proof of the participation of local people in project selection. Repeated requests for information and clarification on the status of the various projects have not been addressed satisfactorily. For example, the Secretariat has refused to share formal or written reports from the field, have insisted on oral briefing rather than provide documentary evidence, and in other instances have refused to respond to questions seeking clarification on specific issues.

According to the DFC Secretariat, the only project that is ongoing is the procurement of road building equipment; but information about the process is sketchy. Other reports from Nimba suggest that twenty one (21) road building and maintenance equipment have been delivered to the county. However, it is not clear to the citizens how these equipments will be managed. This is likely to become a problem because managing the equipment, the personnel, supplies and spare parts require capacity that seems to be lacking in the county. Others interviewed in Sanniquellie also suggested that the auditorium of the community college, completed in 2010 to host the indoor program for the Independence Day was one of the projects that funds were diverted to, but this information has not been confirmed by the DFC.

Box 4: Official Press Statement of the Public Procurement and Concession Commission³⁶

June 24, 2010

Press Statement

Ladies and Gentlemen of the Press

We invite you here today to address some crucial issues some of which have already been reported in the press. This office is particularly concerned about two issues:

1. The used Motor Grader [second hand] purchased by Bomi County Superintendent, Hon. Mohammed A. Massaley;
2. The purchase of 350 and 250 KVA Generators by Nimba County Superintendent, Hon. Edith Gongloe Weh

Bomi County Situation For the record, on May 29, 2008, we received a letter under the signatures of Mr. Clarence V. Cooper, Chairman of the Project Management Committee (PMC) for Bomi County and Hon. Mohammed A. Massalley, Bomi County Superintendent, seeking permission for an exemption to purchase one USED MOTOR GRADER without going through the normal bidding process. Regrettably, Superintendent Massaley, in total disregard for established procedures or laws as regard the procurement of goods, works, and consultant services as contained in the PPC Act, took a decision to procure the USED MOTOR GRADER, without the approval of PPCC. The law gives PPCC the right to approve or disapprove any exemption request based on its careful analysis. We therefore view the action of Superintendent Massalley as a willful attempt to contravene the PPC Act which is very keen on ensuring value for public funds in public procurement. To this end, we like to make it known here that the decision of Superintendent Massalley to procure the USED Motor GRADER was never sanctioned by PPCC, and as such it is a violation.

Nimba County Situation Ladies and Gentlemen of the press, on May 12, 2010, the Public Procurement and Concessions Commission (PPCC), received a letter from Nimba County Superintendent, Hon. Edith Gongloe-Weh, seeking approval from the Commission to single source the purchase of 350 and 250KVA Generators in the amount of US\$115,000, for what Superintendent Gongloe-Weh referred to as electrification of Sanniquillie City. Additionally, Superintendent Gongloe-Weh informed this Commission that she was constrained with time as the County prepares to host the 163rd July Independence Day Celebration and that she wishes to use a portion of the County's Arcelor Mittal Social Development Funds for the aforementioned purchases. In response to Superintendent

Gongloe-Weh's letter, the PPCC said, "consequently, the Commission wishes to inform you that the aforementioned justification provided to support your request for "No Objection" is in direct contravention of the law. As you are aware, the Commission is charged with enhancing the economic development of Liberia by promoting competition, fostering participation in procurement proceedings, providing equal access without discrimination to all eligible and qualified providers of goods, works and services, and most importantly, achieving transparency in the procedures, processes, and decisions. In view of the above, the Commission advises the use of the appropriate competitive bidding method, as prescribed by the PPC Act to carry out procurement of said generators referenced above." This response, ladies and gentlemen of the press, was contained in a communication addressed to Superintendent Gongloe-Weh, dated May 13, 2010. Copies of said communication were also sent to Internal Affairs Minister, Hon. Harrison Karnwea and Nimba County Legislative Caucus. Despite the disapproval of the sole sourcing request made to the PPCC by Superintendent Gongloe Weh, the purchase of the two generators was carried out contrary to the provisions of the Act which require that procurement of goods, works and consultant services for government ministries, agencies and public corporations be done in accordance with the PPC Act. But Superintendent Gongloe-Weh, having willfully violated the PPC Act, on June 14, 2010, addressed another letter to the Commission to appeal for consideration. In her letter of appeal to the Commission, Superintendent Gongloe Weh said "we would like to appeal to your office at this time for consideration in the purchases already made. Given the time constraints we face in preparing for hosting the 2010 Independence Celebrations of the Republic of Liberia, the people of Nimba County, through the county's 2010 independence Steering Committee, advised that we sanction those purchases to avoid potential delays, which are now evident in the case of electric poles."

Conclusion We like to clearly state that the PPCC will not take lightly the violations committed by both Superintendents Mohammed A. Massalley of Bomi County and Edith Gongloe-Weh of Nimba County. The Public Procurement and Concessions Commission (PPCC) will take recourse to the law to address such violations. PPCC will not, in any event compromise its mandate of ensuring economic and efficient use of public funds in public procurement. We will execute our mandate to the letter and protect the country from economic waste and abuse.

Signed: -----

Nathan N. Bengu

Director of Information Dissemination & Communications

Note: the threat to prosecute these officials was not executed.

footnote

³⁶ PPCC Press Statement, June 24, 2010 [accessible online at http://www.ppcc.gov.lr/press.php?news_id=49&related=46]

6. status of projects in grand bassa

Wooden bridge and uncovered culverts (left to right)



Since 2009, Grand Bassa County has received US\$3.7 million out of the US\$5.3 million allocated to the county.³⁷ The first series of projects included rehabilitating roads, constructing housing for nurses, renovating clinics, elevating two junior high schools to high school levels, and establishing a community college. Some of these projects are completed while others have been stalled or stand incomplete. No formal reports have been issued therefore a comprehensive assessment has not been possible. However, the findings of the limited assessment carried out by SDI reveal that several challenges and shortcomings remain. For example, circumstances surrounding selection and implementation of the projects do not meet the DFC guidelines on project selection. Some projects are not satisfactory to the citizens of the affected area or the beneficiaries.

During various SDI fact-finding visits to Grand Bassa County, people interviewed in some communities claimed that there had been no consultation with them about project selection or prioritization. On the other hand officials claimed that several consultations had taken place with communities on project selection. In other communities those interviewed claimed that there had been limited consultations with people in their area. They however complained that in these instances their suggestions were disregarded or decisions were not respected. An example of this situation was presented by interviewees in Gorblee, District No 3. Community members including some local leaders and youth representatives explained that the communities recommended a clinic as their number one priority when they were asked. But to their utmost surprise, a residence for nurses was constructed. The Commissioner of Gorblee stated "I do not know how the decision to build a nursing quarter over a clinic was made. I was only requested to show a site for the clinic to be built³⁸".

Another project, the rehabilitation of the Grand Kola and Gee Roberts roads has been stalled since 2009. The amount disbursed for this project in 2009 was US\$200,000. The DFC approved an additional US\$460,000 for the project in 2010. However, the road rehabilitation was still incomplete at the end of November 2011. Although the project update claims that the road is 20km, vehicles cannot go beyond 11km. Bridges remain damaged, culverts were being poorly installed when they were abandoned, and dozens of culverts and steel rods bought for the project litter the roadside. A team from SDI that visited the region counted more than fifty culverts along the road, and more than a dozen of twenty foot steel rods lying on the roadside. Villagers in the area confirmed that the road is a major priority for them, but they are frustrated with the on-off-on-off work that has been going on since 2009.

The DFC update on the project claimed that work had been suspended due to rain, even though there has been two dried seasons since the first installment of US\$200,000 was made available to the county. Contrary to the fact that the road is not complete, a large bill board constructed by officials proudly claims that the project was completed in 2010.

footnotes

³⁷ DFC Secretariat up to date details on projects in Bong, Nimba and Grand Bassa Counties [undated]
³⁸ Interview with the Commissioner of Gorblee, March 2011

Images left to right: Culverts lying on the roadside; Grand Kola project signboard; broken wooden bridge; community college under construction in Grand Bassa County (last two images)



Like the other counties, the management of the disbursements to Grand Bassa has also been less than satisfactory. Local officials have been accused of marginalizing beneficiaries in project selection and prioritization and some of the administrative decisions taken have been unilateral and not in line with best practices. For example the CDMC decided to reallocate funds for approved projects to different activities without approval from the DFC. The Superintendent also allegedly contracted Buchanan Renewables Energy unilaterally to rehabilitate roads in Buchanan; the contract was worth US\$200,000. The CDMC in Grand Bassa also decided to use 20% of the funds disbursed to the county for overhead without approval from the DFC.³⁹

The Gorblee High School project is one of the few projects that have been completed. Nonetheless there are also several shortcomings and issues surrounding it. The school is a six class room building and the actual disbursement made toward its construction was US\$200,000. The school lacks key facilities including toilets. The St. John River Junior High School was also to be elevated to a high school level, but to date there is no information about the status of the project.

So far the only project that appears to be benefiting young people in the county is the establishment of a community college. The main investments to date include repainting the existing Bassa High School buildings, recruiting instructors and setting up the college administration. The community has allocated land for the construction of the community college, clearance was carried out and construction work has started. As with the other projects, there is limited information about the project in the public domain; for example, no one knows how much has been spent to date and for what.

Overall, the team believes that the current flawed system of project management is a combination of a calculated attempt to ignore the system of checks and balances (instituted by the Dedicated Funds Committee and the County Development Management Committee) and lack of technical and management capacity in managing the projects.'

Unpublished Report of ArcelorMittal Liberia monitoring visit to Grand Bassa, 2009

footnote

39 Unpublished Assessment report, ArcelorMittal Liberia, 2009



7. status of projects in bong county

According to the DFC Bong County has received US\$1,592,881 out of the total US\$2,666,667 allocated to the county since 2009. The DFC has earmarked a total of eight projects for support to date. However, this figure has been disputed by the Project Implementation Unit in Bong County.⁴⁰ The projects approved in 2009 included rehabilitation of the roads in Gbarnga, renovation of Gbarnga sport stadium, rehabilitation of a fishpond, and electrification and installation of street lights on the main streets of Gbarnga.⁴¹ The second batch of projects included a scholarship scheme, the expansion of the Dolokelen Gboveh High School campus and elevation of the school to a community college level, and special support for former combatants attending the Cuttington University.⁴²

Out of these eight projects, four projects were earmarked in 2009 costing up to US\$495,000. In 2010, three additional projects were earmarked for implementation estimated at US\$4,484,171. Of this amount US\$1,019,881 was disbursed to the county. In 2011, one additional project was approved and a total of US\$100,000 was disbursed against a budget of US\$153,887. According to the DFC update, five of these projects were completed, one abandoned, and two are ongoing. The projects completed included the road rehabilitation in Gbarnga, the rehabilitation of the sports stadium and the electrification of the city in 2009. The Bong County scholarship scheme also paid US\$79,000 in fees for beneficiary students in various colleges and US\$10,395 was paid for students classified as ex-combatants attending Cuttington University. Construction work is ongoing on the community college and the high school in Palala, Kpai District.

The DFC and county officials boast of the high success rate of projects in Bong County. But closer scrutiny reveals that this may be misplaced. First, the sustainability of the electrification project is now in doubt. According to people interviewed in Gbarnga, since November 2011 the lights have been out due to lack of funds to fuel the generator due to the collapse of the management system that was put in place.

footnotes

⁴⁰ Interview with PIU, December 16, 2011

⁴¹ Dedicated Funds Committee, Reform Strategy: County Social Development Fund, April 2010

⁴² DFC Secretariat up to date details on projects in Bong, Nimba and Grand Bassa Counties [undated]

Second, several people interviewed in affected communities claim that they were not adequately informed about project selection, prioritization and implementation, and they were not involved in the decision making about these projects. According to them, the projects were identified without the involvement of local communities. This may be because six of the eight projects, listed by the DFC have been concentrated in Gbarnga; the provincial capital. There are no formal reports available to the public on these projects. Other expenses from the county's allocation that we are aware of, but officials and members of the DFC have not provided information about are three motorcycles and a pickup truck bought for four government officials in the county – three District Commissioners and a District Superintendent. The Chairman of the Legislative Caucus during presentation of the motorcycles and the vehicle claimed that they were bought with funds from the county's allocation. Additionally, the 20% allocated for development projects in affected communities is not materializing. Affected communities from beneficiary counties in general are complaining that they lack adequate knowledge about the use of their 20%; the minimum contribution they should receive as communities most impacted by ArcelorMittal Liberia operations.

During SDI assessments in Kpai and Kokoya Districts, community members interviewed by the team said that decisions about projects were influenced by their county authorities, albeit, some members of the community were aware and agreed with some of the projects undertaken. The decision to purchase a pickup truck for the District Superintendent and three motorbikes for District Commissioners did not come from the beneficiary communities. Beneficiaries continue to raise concerns about lack of transparency and accountability in the management and use of the funds overall. Those interviewed said that there was limited information about the projects being funded and that there was no means of verifying reports of how much is being spent on each project. Locals also complained that there was no means of ascertaining that they were in fact receiving their 20% share of the allotment because there was no documentary evidence, such as reports to back up the claims made by officials.

Box 5: ArcelorMittal Liberia response to concerns from stakeholders

ArcelorMittal Liberia claims that stakeholder engagement is one of its core corporate responsibility strategies.⁴³ According to the company, one way it is working toward achieving this is by holding quarterly stakeholder conferences with its national and county level stakeholders. The company claims that these forums are useful in that they provide opportunity for locals to directly interact with ArcelorMittal, county and national duty bearers linked to the CSDF management and the operations of ArcelorMittal Liberia. The report of the ArcelorMittal Stakeholder Conference held in March 2010 claims that at these stakeholder conferences, citizens from the affected communities have been able to bring to light dissatisfaction on social and environmental issues that affect their wellbeing. The report also notes that there is anticipation from stakeholders including affected communities that issues raised and recommendations emanating from these forums will be addressed.

However, this has not been the case. For instance, issues that stakeholders raised during the conferences in 2010 were mostly the same issues that again emerged from the stakeholder conference held in 2011. This implies that stakeholders are not satisfied with the selective and slow manner in which ArcelorMittal Liberia or government have addressed their concerns. The key issues that have been raised include:

1. Inadequate information on the Mineral Development Agreement at the community level. This makes it difficult for ordinary people to assess ArcelorMittal's progress in meeting social commitments.
2. Information on ArcelorMittal Liberia community support activities, including community development funds, is not readily available; relies on local authorities to disseminate information.
3. Community residents are not involved in the administration of the County Social Development Fund.
4. Heavy Government involvement in the management of the County Social Development Fund.
5. Affected communities not receiving 20% allocation of the County Social Development Fund, as required by the Fund guidelines.

In spite of these concerns, ArcelorMittal Liberia claimed during the 2011 Stakeholder Conference held in Bong County that it has made considerable progress towards addressing the recommendations that emanated from the previous stakeholder conferences of 2010 held in Nimba and Bassa Counties. But, the facts say differently, concerns expressed by stakeholders in the 2010 conferences have been either partially addressed or not addressed at all. This has been particularly with the case of the CSDF. Stakeholders reiterated the problems associated with the CSDF during the conference held in Bong County in August 2011 and the ones held in Nimba and Grand Bassa in 2010. Stakeholders demanded for reform of the CSDF management and that the creation of any new arrangement should take into consideration representation of communities at the grassroots.

ArcelorMittal Liberia is refraining from its responsibility of ensuring that the CSDF is used in a wise way and that the fund is not squandered by county officials. Representatives of government line ministries also corroborated this fact by noting that ArcelorMittal Liberia is not paying attention to how the CSDF are disbursed. They specifically pointed out that directly affected communities are not benefiting from their 20% allocation of the CSDF.⁴⁴

ArcelorMittal Liberia is not sticking to its commitment and core principle of engaging with stakeholders as it claims. ArcelorMittal Liberia community engagement standard guide requires local Chief Executive Officers and management teams to establish the concerns of stakeholders, draw up clear objectives of addressing them, and track progress.⁴⁵ This is not happening in a systematic and logical manner.

footnotes

⁴³ Report of ArcelorMittal Stakeholder Conferences held in March 2010

⁴⁴ ArcelorMittal Stakeholder consultation report, August 2011

⁴⁵ Ibid

8. the stakes are high



As this assessment of the CSDF has shown, the impact of the social development fund is limited because the overall governance and management have been poor. Concerns expressed by the Sustainable Development Institute (SDI) about poor governance and management of the CSDF are not entirely limited to the ArcelorMittal social development fund. This situation highlights some of the broader concerns SDI has about weak governance of the natural resource sector. For example, inequitable distribution of benefits from resource extraction and high incidences of corruption and corrupt practices continue to besmear the resource sector. The governance of the ArcelorMittal social development fund is also setting precedence for social development funds contributed by other extractive companies; therefore it will have far reaching implications on local development and natural resource governance. The issues that have been raised throughout this report, including lack of transparency, accountability and participation blight the future of the innovative benefit and wealth sharing arrangements that are being built into the resource governance framework. Should the current pilot or the ArcelorMittal CSDF work, it will mark a break with the past and demonstrate that indeed it is possible for the wealth of Liberia to benefit everyone.

The stakes are high and so are expectations. Expectations are high in communities where exploration for mining activities are ongoing, where mining is already taking place and where previously closed mines are due to reopen soon.

Civil society organizations working on natural resource governance and management argue for direct development benefits for communities where natural resources are extracted. This is based on the fact that the centralized collection and control of revenue from natural resources is at the root of inequality in Liberia. Economic and social injustices against the larger segment of the population, especially the poor in rural areas, are nurtured by the inequitable distribution of the wealth of the country. To address this situation, CSOs continue to argue for direct development benefits as well as financial payments to communities where natural resources come from to support their local self-help development initiatives. This could have rapid tangible benefits at the local level while contributing to democratic development through the strengthening of local governance.

In 2005, the first success was realized. The MDA between the Government of Liberia and then Mittal Steel Holdings, N.V. (now ArcelorMittal) included provisions obliging the company to pay US\$3 million annually to counties that would be impacted by its operation.⁴⁶ In 2006, a similar success was also realized in the forestry sector. A new forestry law was enacted and in a clear break with the past, the law provided that 30% of the Land Rental Fees generated from logging would go directly to communities affected by logging operation. Concession agreements in the agriculture sector also now incorporate provisions obliging concession holders to make payments for social development in communities where they operate.

footnote

⁴⁶ Mineral Development Agreement between the Government of Liberia and Mittal Steel Holdings, N.V., 2005

Box 6: What's at Stake?

To get deeper insight into what is at stake, the section below provides a summary of the community funding obligations in the major Mineral Development Agreements (MDAs) signed to date.

Western Cluster Limited (Elenito Minerals & Mining LLC, Sesa Goa Limited and Bloom Fountain Limited) – affected counties to include Bomi, Grand Cape Mount and Montserrado

Commencing on the Effective Date of the contract (August 3, 2011), the Western Cluster Limited shall pay US\$2 million annually as social contribution for community development. This annual payment shall continue up to the end of the year prior to (the year in which) the Start of Commercial Production occurs with respect to the first Production Area. This amount shall increase to US\$3.1 million when the company is in full operation. Based on these figures various scenarios would suggest that the total contribution by the company for the 25 year duration of the contract could range between US\$50 million – in the unlikely event that the company doesn't carry out production within the contract period and as high as US \$72 million if the company started production within five years of the Effective Date.

Putu Iron Ore Mining, Inc. & Mano River Iron Ore Ltd – affected counties to include Grand Gedeh and Sinoe Counties

The company has a more detailed social contribution payment plan. On the Effective Date (2nd September 2010) the company shall make a payment of US\$500,000 and another US\$500,000 on the anniversary of the Effective Date of the contract in 2011. This amount then increases to US\$1.25 million in 2012 and US\$1.5million in 2013. From 2014 to 2017 the payment increases to US\$3 million annually. From September 2018, the company shall contribute US\$3 million (adjusted annually for inflation) and 0.5% of taxable income for the prior year. This amounts to US\$15.75 million from 2010 to 2017. At the minimum from 2018 till the end of the contract or from 2018 to 2035 the company would pay US\$51 million. Therefore, within the 25 years of its operation, the company is under obligation to pay (at a minimum) US\$66.75 million for community development.

China Union (Hong Kong) Mining Co., Ltd. & China Union Investment (Liberia) Bong Mines Co., Ltd – affected counties to include Bong, Margibi and Montserrado

The company shall make an annual social contribution of US\$3.5 million for the benefit of Liberian communities in the counties affected by its operations. These payments shall be made to the general revenue account. In total the company shall contribute US\$87.5 million within the 25 year duration of its contract.

BHP Billiton (Liberia) Inc – the exploration areas are situated in Bong, Nimba and Grand Bassa

The terms of the contract in respect of social contribution payment is not as straightforward as the terms of the other contracts. From the Effective Date of the MDA, the company shall pay US\$100,000 per annum in respect of each Exploration License. According to the MDA between the Government of Liberia and BHP Billiton, the company has four Exploration Areas including the Toto Range, Kitoma Range, Goe Fantro Range and St. John River South. The Exploration License for these areas came into effect on January 14, 2011. The exploration activities will be carried out for five years – from 2011 to 2016. In total the company will be required to contribute a total of USD2 million during the exploration period.

For the period from 2017 to 2035, it is difficult to estimate how much the company's contribution will be – without knowing the result of the exploration. However, two scenarios are likely – one it does not make a significant find and therefore abandons the four areas or it makes a significant find in at least one area and therefore continues operation in that area. If the company was to make a significant find in any of the exploration areas and conducts operation under a Mining License until 2020 – it shall pay US\$250,000 per annum or US\$1 million in total. Finally, if the company was to achieve Substantial Construction Completion by 2020, the company would contribute US\$3 million annually or US\$30 million for the last 10 years of its current contract.

5 Table Summary of estimated social contribution for the top mining companies

Company	Minimum contribution	Maximum contribution
ArcelorMitta	US\$74,000,000	75,000,000
BHP Billiton ⁴⁹	US\$ 2,000,000	33,000,000
China Union	US\$87,500,000	87,500,000
Western Cluster	US\$50,000,000	72,000,000
Putu Iron Ore Mining	US\$66,750,000	66,750,000 ⁵⁰
Total	US\$332,850,000	US\$334,250,000

Images left to right: Incomplete toilet in the stadium in Sanniquellie and incomplete stadium wing – both funded by the CSDF.



9. the need to reform the governance of the county social development fund

In a country where poverty amongst the citizenry is high and the financial capacity of the government to respond to the needs of the people is severely limited, US\$334 million is a significant amount of money that could contribute to developments in rural areas. In spite of the evidence of poor management of the CSDF, the limited impacts are significant – for example the establishment of community colleges in the three counties will have direct impact on the movement of young people to Monrovia to attend college. This will also have positive impact on the local economy as businesses such as housing, petty trading, etc. will also benefit from the increase in the student population. Therefore if these monies are managed properly, it will remove significant pressure from the government to fund development projects in the counties where mining occurs and allow it to invest in other counties that are not endowed to the same level.

The admission by the government that governance failures are hampering the performance and impacts of the fund is welcomed, but this admission must be matched by efforts to reform the system. Business-as-usual cannot be allowed to continued, otherwise there is a risk that the monies will be paid by the companies only to be squandered by politicians and elites in these counties.

In the following section, we reflect on the proposal of the government to reform the CSDF, highlight some of the weaknesses in the proposed system and suggest changes that are necessary to put in place a robust governance framework.

footnotes (from previous page)

- 47 Section 8 of the Mineral Development Agreement between the Government of Liberia and Western Cluster Limited et al., 2011
48 MDA Between the Government of Liberia and BHP Billiton (Liberia) Inc & BHP Billiton iron Ore Holdings PTY LTD, 4th June 2010, p.11

- 49 These are conservative estimates
50 It is difficult to estimate an accurate upward limit in the absence of figures for the possible taxable income of the company.

10. the government's proposal to reform the CSDF



The key issues and challenges to governance highlighted by the DFC include: lack of accountability and transparency; inadequate capacity in fund management; limited grassroots involvement in project selection and decision making; disregard for management and financial controls; and disagreement amongst County Development Management Committee (CDMC) members. To address these issues the DFC has proposed changes to the makeup of the DFC, changes to the makeup and mandate of the CDMC, and changing from a Project Management Team attached to the CDMC to a Project Implementation Unit or PIU. The proposed changes at the different levels are summarized below.

Reforming the Dedicated Funds Committee

According to the proposal for reforming the CSDF, the reform will encompass three categories of changes to the DFC: membership or composition, mandate, and leadership.

The DFC will maintain all but one of its members – the Ministry of State for Presidential Affairs. The DFC will however be expanded to include the Ministry of Public Works, Ministry of Internal Affairs and a representative of civil society. In terms of mandate, the DFC will maintain its original mandate – reviewing and approving proposals, providing oversight and reporting to the President about the overall governance and management of the CSDF. In the old arrangement, the DFC as an entity did not have its own accounts to hold the funds contributed by Arcelormittal Liberia and did not exercise control over disbursements. In the new arrangement, the DFC will establish an escrow account and the DFC will exercise full and direct control over transaction within those account. In terms of leadership, the Minister of Lands, Mines and Energy will continue to Chair the committee, which will now be co-chaired by the Minister of Internal Affairs.

6 Table Proposed changes to the composition of the DFC, mandate and leadership

Current arrangement

DFC comprises of Ministries of Lands, Mines and Energy; Finance; Planning & Economic Affairs; State for Presidential Affairs; and ArcelorMittal.

Ministry of Lands, Mines and Energy, Chairs the DFC.

Payments by ArcelorMittal Liberia is held in a government account.

DFC does not have control over disbursement from the account.

Does not include a civil society representative.

Proposed arrangement

Ministries of Lands, Mines and Energy; Finance, Planning & Economic Affairs; and ArcelorMittal. Now includes: Ministries of Internal Affairs; Public Works and a civil society representative.

Ministry of Lands, Mines and Energy, Chair; and Ministry of Internal Affairs, Co-chair.

Set up an escrow account to hold funds separately. Signatories to be Category A: Ministers of Lands, Mines and Energy and State Without Portfolio, and Category B: Ministers of Finance and Planning & Economic Affairs.

DFC will have direct control over the funds and will only disburse monies for approved projects and in line with agreed guidelines and procedures.

Would include a civil society representative.



Reforming the County Development Management Committee

The major changes to the composition of the County Development Management Committee (CDMC) include removal of the Minister of Internal Affairs and its expansion to now include youth, women and civil society representatives. Accordingly, the Minister of Internal Affairs will no longer Chair the CDMCs and will no longer be a signatory to the CDMCs accounts. But most importantly, perhaps, the CDMC will no longer have a project approval authority or management responsibilities. The responsibilities for managing projects will now rest with the Project Implementation Unit or PIU.

The inclusion of other stakeholders is a move in the right direction. For example, efforts to include youths, women, and civil society in the process of identifying, prioritizing and providing oversight for the PIU at the county level is an improvement over the old system. The move from a heavily centralized arrangement towards more use of the development structures at the grassroots, in principle, is good. Finally the intended composition of the PIUs could positively impact on the situation at the county level; this could mean a shift from situation in which politicians with limited understanding of development processes to make way for technicians. The plan to recruit the technicians that would staff the PIU through a competitive process could also ensure that political influence is limited and that technicians would be recruited based on merit and qualifications. Table 7 below summarizes these changes.

7 Table Proposed changes to the composition of the CDMC, mandate and leadership

Current arrangement	Proposed changes
Includes: Legislative Caucus, Superintendent, two prominent citizens, chairman of the council of chiefs, and Minister of Internal Affairs.	Will maintain: Legislative Caucus, Superintendent, and representative of the council of chiefs. To now include: Assistant Superintendent for Development, County Development Officer, Head of the Project Implementation Unit, ArcelorMittal, Women representative appointed by Ministry of Gender, Youth representative appointed by FLY, and civil society.
Minister of Internal Affairs, Chair.	Legislative Caucus (Chair) and Superintendent (Co-chair).
Facilitate a consultative process to identify development priorities for the short, medium and long-term.	CDMC and Project Implementation Unit will facilitate identification and prioritization of development projects; utilizing existing development structures including District Development Councils and Village Development Councils.
Maintain a bank account for the disbursements to the county; Minister of Internal Affairs primary signatory.	Category A: Superintendent and Assistant Superintendent and Category B: Head of Project Implementation Unit.
Manage projects implementation and report accordingly.	Will now have no project management and project approval mandate.
Annual audits, monitoring and evaluation.	Regular audits and monitoring by MPEA.

A critical review of the reform proposal

Some of the proposed changes outlined in the reform proposal appear progressive, compared to the system in the past. However, when viewed critically, the picture that emerges is different.

First, the reform proposal does not holistically address the fundamental flaws and weaknesses, such as lack of transparency and citizens' participation, identified in the government's analysis. In the absence of a proposal that addresses the underlying problems that have been identified, and putting in place a process that is inclusive, transparent and holds individuals accountable for their role in the mismanagement of the fund to date – it would be naïve to expect positive outcomes from the reform.

Second, the reform does not systematically address the issues of lack of accountability that has characterized the governance and management of the CSDF. It does not propose measures to hold accountable those implicated in violating the control systems that were agreed from the onset. By ignoring the mismanagement and squander that have characterized the use of the CSDF, the government and ArcelorMittal Liberia are rewarding those involved by allowing them to go free.

Third, there are several pertinent issues that remain outstanding. For example, the reform proposal identified lack of transparency and participation of beneficiary communities in project development and implementation as major challenges but then failed to outline a plan addressing these issues. Even though locals have complained about their exclusion, the token efforts to include individuals from different stakeholder groups does not go far enough and do not address the issues of marginalization and exclusion.

Fourth, the government and ArcelorMittal Liberia have failed to meaningfully take into account the views of stakeholders, especially the people in the beneficiary counties. Cross-section of beneficiaries in the three counties have called for inclusive, representative and elected citizens committees to manage these funds, on the premise that should they fail in their mandates the reformed governance system will provide for them to be held accountable. They are concerned that under the current proposal, mismanagement will not be addressed when they arise.

Fifth, those at the centre of current mismanagement and scandals surrounding CSDF will continue to play active roles in the new structures. For example, the Ministry of Lands, Mines and Energy who served as Chair of the DFC will remain chair of the DFC. The Ministry of Internal Affairs, former Chairman of the CDMCs, will now be promoted to the DFC. The Legislative Caucuses of the beneficiary counties, formerly Co-chairs of the CDMCs will now chair, even though they have been implicated in mismanagement of the fund.

From a critical standpoint, the reform process appears to be a red herring; instead of addressing the problems identified and it is likely to become a distraction from the core issues. For example, one problem the DFC said it wanted to address under the reform was the lack of grassroots participation in decision making regarding projects. The DFC said that the county officials were not involving citizens in the selection and decision making of projects and were not being accountable on the utilization of funds. It has not been made clear how the DFC seeks to address these issues in their proposed reform strategy. Instead, the new governance arrangement has only reinforced centralized authority and control over the Fund. For example, at both the national and county levels the new management arrangement does not provide for meaningful community participation. The national structure created under the reform comprise of government bodies and officials appointed by the President. The inclusion of representative

of the youths, women and civil society, purportedly to represent the views of the larger community is flawed. Without an associated mechanism for accountability or feedback to the wider youth, women and civil society constituencies, the individuals selected will only be able to represent their own views and the complaints about exclusion and marginalization will continue.

Similarly, at the county level, officials appointed by the President, including the Superintendent and Assistant Superintendents, and the Legislative Caucuses will continue to dominate the CDMCs. Although some of the national and county officials that have been at the centre of controversies surround misappropriating of funds are no longer in government none of them have been asked to account for their roles.

Many of the citizens in the beneficiary counties and other stakeholders do not agree with the new institutional structures proposed by the DFC. Many of those we have interviewed oppose the heavy presence of government officials on the CDMCs and demand that the CDMC be replaced by a broad based committee that is inclusive and constituted by the citizens through a transparent process. During ArcelorMittal Liberia stakeholder meetings held in 2010 and 2011, participants including citizens from the beneficiary counties called on the government to reform the CSDF Management by increasing grassroots or community involvement.⁵¹

The reform process lacks transparency and proper consultation with stakeholders including communities and civil society. The DFC has established no clear mechanism for providing information and getting feedback to and from stakeholders about the reform. Since the commencement of the reform process the government has held only one stakeholder consultation. This was held in 2010, in Gbarnga. The key recommendations that came out of that consultative workshop suggesting changes to the DFC propose governance arrangements have not been

implemented by the DFC. Up to date, there is no follow up made with stakeholders by the DFC regarding the level of progress on the reform. Communities in the affected counties are inadequately informed about the ongoing reform. SDI assessments in affected communities in Bassa, Bong and Nimba, found that they were not aware about the ongoing reform of the CSDF.

The reform process is neither coherent nor logical. For example, the DFC under the executive branch of government has started implementing the reform strategy without an agreement amongst stakeholders. While the reform is ongoing, funds are still being disbursed to officials that have presided over the misuse of funds allocated to the counties. All of these lapses associated with the reform raises doubt about the sincerity of government to reform the governance system and make it more participatory, transparent and accountable.

Finally, a critical missing piece is the absence of a grievance and complaint mechanism. The reform proposal does not provide for a grievance or complaint mechanism. That is, if citizens have particular concerns or grievances, it is not clear to whom those grievances should be addressed and what procedures they have to follow for their complaint to be heard and addressed. Because of the absence of a complaint mechanism, citizens have been unable to pursue issues of concern in a systematic manner or to hold those responsible for managing their benefits to account.

footnote

51 ArcelorMittal Stakeholder Conference Report held 26 & 30 March, 2010

conclusions

The CSDF is considered a valuable resource to support local development in Bong, Nimba and Grand Bassa counties. If used wisely, it has the potential to transform the economies and lives of people in these three counties. It could also hasten the devolution of development planning and serve as a motivation for improving governance through active citizens' participation at the local level. However, this requires a shared vision and a strong commitment from government at both the national and local levels. Therefore, it goes without saying that a comprehensive reform of the CSDF is absolutely required for the Fund to meaningfully contribute to sustainable development in the counties benefiting from the Fund.

As this assessment of the CSDF has shown, the impact of the social development fund is limited because the overall governance and management have been poor. Concerns expressed by SDI about poor governance and management of the CSDF is however not entirely limited to the ArcelorMittal social development fund. It however does provide a good case study for the broader concerns SDI has about weak governance of the natural resource sector, inequitable distribution of benefits from resource extraction and the high incidences of corruption that continues to besmear the sector. The issues that have been raised throughout this report, including transparency, accountability and participation blight the future of the innovative benefit and wealth sharing arrangements that are being built into the resource governance framework. Should the current pilots work, they will provide an opportunity to break with the past and demonstrate that indeed it is possible for the wealth of Liberia to benefit everyone.

For this to happen, the SDI believes that it is important for the different stakeholders to evaluate and fully understand the scale of the problem, identify and agree on the major weaknesses in the system that need to be addressed, before there can be informed debate on how to address those issues. It is also important to identify all those responsible for misuse or mismanagement as a first step towards holding them accountable. Only after these steps could efforts to reform the CSDF be considered genuine.

To properly reform the current governance and management arrangements, the Government of Liberia and ArcelorMittal Liberia should, at the very minimum, commit to a broad-based, transparent and participatory reform process. This is a critical first step towards addressing the current challenges to effective, transparent and accountable management of the CSDF. It is also important to note that the DFC as a key player in the current governance structure also shares responsibility for the failures in the management arrangement; it cannot be absolved of this responsibility and mandated to reform itself. Additionally, there is a need to fully understand the problem and challenges, and to discuss a broad range of options for addressing those problems; a quick fix approach to the reform of the CSDF will be counterproductive.

acronyms

AML	ArcelorMittal Liberia
CSDF	County Social Development Fund
CMDC	County Development Management Committee
DFC	Dedicated Funds Committee
FoE Europe	Friends of the Earth, Europe
GAC	General Auditing Commission
OECD	Organization for Economic Cooperation and Development
PPCC	Public Procurement and Concession Commission
SDI	Sustainable Development Institute







The Sustainable Development Institute (SDI)

works to transform decision-making processes in relation to natural resources and to promote equity in the sharing of benefits derived from natural resource management in Liberia. The organization's vision is a Liberia in which natural resource management is guided by the principles of sustainability and good governance and benefits all Liberians. Its activities cover a range of crosscutting issues including governance and management, environment, state and corporate social responsibility, economic and social justice for rural populations and the democratic participation of ordinary people in government management of natural resources. The organization received the Goldman Environmental Prize (the world's largest prize honouring grassroots environmentalists for outstanding environmental achievements) in 2006.

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