



# # 02

## COMMUNITY RELATIONS IN THE **PUTU IRON ORE MINING CONCESSION**



BRIEFING | JULY 2014



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# IRON ORE

## BACKGROUND

This paper is the second in a series of three briefing papers to be prepared by SDI on community relations inside key iron ore concessions in Liberia. The first examined conditions in the China Union concession, and the third will focus on ArcelorMittal Liberia. This paper will give a brief overview of SDI's observations on the Putu Iron Ore Mining Company's concession in Putu Administrative District, Grand Gedeh. The Australian Department of Foreign Affairs and Trade (DFAT) provided funds for research and publication.



### footnote

1 Tiamo's Town (Petrokon), John David Town, Panwloh Town, and Pennoken, Grand Gedeh County.



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## METHODOLOGY

The Sustainable Development Institute visited Putu District, Grand Gedeh on the week of April 14, 2014 in order to better understand the relationship between Putu Iron Ore Mining, Inc. This includes PIOM and Liberian communities in its area of operations. Interviews were conducted with civil society organizations in Zwedru, UNMIL staff, district and county officials, workers union representatives, community leaders, and residents of Putu district during the five-day research trip. PIOM community liaison staff granted SDI a lengthy interview,

and townhall-style meetings were held in four locations<sup>1</sup> in the area. A desk review of the PIOM Environmental, Social, and Health Impact Assessment (ESHIA) was also conducted. The following paper will briefly detail the results of these interviews and offer recommendations to policymakers and PIOM on how best to ensure that the mine in Putu District will provide tangible benefits for the local community and can operate in an environment of stability and peace.



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## SUMMARY

Liberia is in a difficult phase with its iron ore mining concessions. Outbreaks of violence have occurred in the two largest concessions over the past year – last fall in the China Union concession and in early July in the ArcelorMittal concession. In both circumstances, heavily armed wings of the Liberian government’s paramilitary police unit – known as the Emergency Response Unit (ERU) – were called out to quell protests and re-establish security around the mines. In the most recent demonstration, at ArcelorMittal, there were reports that community members fired hunting rifles at police troops, raising the spectre of destabilizing violence and government crackdowns on frustrated community members.<sup>2</sup> SDI researchers who visited the two concessions found remarkably similar complaints among residents – lack of availability of well-paid, stable work opportunities, limited tangible development benefits for locals who perceive the companies to be making huge profits, and government mismanagement of development funds that were set up to compensate affected populations for damage by mining companies.

At the PIOM concession, full-scale mining has not yet commenced, and as such the local population is largely hopeful of future opportunities and the company enjoys a fairly strong reputation. However, there are signs for concern. In 2011 a riot at PIOM caused two deaths and necessitated an ERU response, and there have been local complaints that the company is not doing enough to offer stable employment opportunities to residents of the district. Still, there is significant room for a stable and mutually beneficial relationship for PIOM to have with its affected neighbors. It will be critical, however, that both PIOM and the Government of Liberia (GoL) take a careful look at the errors that the Liberian government, China Union, and ArcelorMittal have made in implementing their projects in order to avoid similar problems in their concession. To avoid hostility in the district, PIOM must continue regularly communicating with various groups of local residents, ensure that vocational training programs result in skilled work opportunities for qualified residents of the district, and pressure the GoL to utilize its social contribution in ways that benefit those districts rather than be wasted on administrative buildings and election campaigns by local politicians.

PIOM holds a Mineral Development Agreement (MDA) with the GoL to mine iron ore from one half of the Putu District mountain range in Grand Gedeh County, Liberia.<sup>3</sup> The MDA entered into force in September 2010, although at the time of research, the

company had shut down the bulk of its operations while awaiting approval of its application for a mining license from the GoL. PIOM is headquartered in Tiamah’s Town, also known as Putu Petrokon, approximately an hour south of Zwedru, the regional capital of Grand Gedeh County. PIOM is owned by Severstal, a major Russian steelmaker, and its MDA will run for at least 25 years – likely longer depending on how long it takes to extract the mountain’s lucrative iron ore.<sup>4</sup>

PIOM’s MDA details a series of procedures the company must follow in seeking approval for each step of its operational timeline, environmental guidelines it must follow, methods for calculating taxes and royalties it will owe to the GoL once it begins shipping iron ore, and obligations to its workers and the communities where its operations are located. PIOM is obliged to undertake a series of infrastructural projects – in particular, the company will build a paved road that connects Zwedru and Greenville, the regional capital of Sinoe County. It will also have to rehabilitate or build a port facility in Sinoe that will be used to ship the iron ore, and it will build a railroad that connects its mine to that port.<sup>5</sup>

In addition, PIOM’s MDA binds the company to build acceptable housing facilities for its employees, which include toilets and clean drinking water, and it mandates PIOM to provide schooling for the children of employees and local government officials. The company is also to provide a total of \$100,000 USD in scholarships for Liberian citizens, with preference given to residents of Grand Gedeh County. The MDA contains clauses that compel PIOM to having 30 percent of its management staff be comprised of Liberian citizens within 5 years of the MDA’s signing date – this number increases to 70 percent of its ten most senior management positions within 10 years. Crucially, the MDA also details that PIOM will make an annual ‘community funding obligation,’ which increased to \$1.5 Million USD in 2013 and will reach \$3 Million USD in 2014.<sup>6</sup> Half of this money accrues to Grand Gedeh County, meaning that approximately \$800,000 USD was distributed to county officials last year. Management of this fund will be discussed in detail below.

### footnotes

- 2 Sustainable Development Institute (SDI), “Briefing Paper: Community Relations in the China Union Concession,” May 2014; “Shootings, Ambushes, and Riots: Echoes of Violence Resurrect in Nimba,” *FrontPageAfrica*, July 4, 2014.
- 3 “Mineral Development Agreement (MDA) between the Government of Liberia, Putu Iron Ore Mining, Inc. and Mano River Iron Ore, LTD.,” September 2, 2010.
- 4 Severstal Press Release, “Severstal to Accumulate 100% of the Putu Iron ore Project in Liberia,” December 12, 2011.
- 5 PIOM MDA.
- 6 *Ibid.*



PIOM is to hire Liberians for unskilled positions and to give preference to Liberian applicants for skilled positions; it is mandated to provide vocational training for Liberians for administrative and other positions as well. The employment issue is particularly important – social disruptions have occurred in the past in Putu District over PIOM’s unwillingness to hire locals for senior management positions or as skilled laborers.<sup>7</sup> Additionally, given some companies’ preference to retain workers as contract laborers rather than full-time employees who enjoy the protection and benefits afforded them under the labor law, it will be critical for the GoL to pay close attention to how many Liberians are hired as full employees in the next series of years and which jobs are given to residents of the district near the mine.

As a requirement of its MDA, PIOM commissioned and has published an extensive Environmental, Social, and Health Impact Assessment (ESHIA). The document details demographic and social information about affected communities and outlines a series of impacts that the communities are likely to face in the course of project implementation. Impacts are rated from severe to moderate to negligible, and cover railroad, mine, and port communities. For example, the potential is raised that water sources used by affected communities may be damaged, and the ESHIA recommends that PIOM undertake a series of steps to mitigate and avoid that damage.<sup>8</sup>

Inevitably, local residents will have to move from their homes as a result of the construction of the railroad, road, and port facilities. The MDA details that PIOM is to develop a ‘Resettlement Action Plan’ (RAP) for such individuals and families. In particular, communities along the path of the planned railway are likely to experience the pollution of water sources and significant disruption to their lives, especially while construction is ongoing.<sup>9</sup>

The ESHIA states that there are a total of 354 individually owned structures and 169 agricultural plots, 14 communally held structures and 14 communal agricultural plots, and a number of football fields and graves that are at risk of being moved as a result of railway and road construction. While the whole region stands to benefit, for example, from the paved road that will lead from Zwedru to Greenville, it is imperative that the GoL and PIOM exercise a high level of responsibility when negotiating with householders and landusers. They should be given adequate and fair compensation that does not adversely affect their quality of life, and be given a package that is acceptable to them and in line with best practices. PIOM was said to have built a concrete residence for an individual who was moved from the airstrip it constructed near the mountain – similar structures should be built for others who lose their homes.

The following section details results of field interviews with residents of the area around PIOM’s mining operations as well as knowledgeable individuals in the county and company representatives.



Putu Mountain, where PIOM’s mining operations will commence during the dry season, Tiamah’s Town, Grand Gedeh County. © SDI

#### footnotes

- 7 Columbia University Center for International Conflict Resolution (CICR), “Smell-no-Taste: The Social Impact of Foreign Direct Investment in Liberia, January 2012.
- 8 Earth Environmental Consultancy Inc, “Putu Iron Ore Mining, Inc Environmental, Social, and Health Impact Assessment and Management Plans,” March 2014.
- 9 Ibid.



SDI Researchers and Advocates Discuss PIOM's Operations, Tiamah's Town, Grand Gedeh County. © SDI

## RESULTS OF FIELD INTERVIEWS WITH AFFECTED COMMUNITY MEMBERS

In many concession sites that SDI researchers and advocates visit, the anger is palpable – and justified – towards foreign investors. This was not the case in and around the PIOM concession, for the most part. The company appeared to have a relatively favorable reputation in most communities that researchers visited, among civil society organizations in Zwedru, and county officials. It has responsibly made payments to the GoL as mandated in its MDA and residents reported being grateful that they or their family members had been given the opportunity to work with the company and gain an income. This strong reputation is likely the result of a combination of factors – for one, PIOM has not begun its full mining activities and thus residents have not yet been forced to cope with the tangible extraction of the mountain's resources. For the last two years, PIOM has been exploring and analyzing ore samples, which is a much less impactful activity than extraction. It was clear to researchers that PIOM has a much better community liaison office than some other extractive companies operating in the country, likely resulting from lessons the company learned after the riot in May of 2011.

### footnotes

- 10 SDI Interview with Affected Community Members, Grand Gedeh County, April 17-18.  
 11 SDI Interview with Affected Community Members, Tiamah's Town, Grand Gedeh County, April 17.  
 12 SDI Interview with Affected Community Members, Grand Gedeh County, April 17-18.  
 13 CICR, "Smell-no-Taste."

While overall, communities reported being pleased that an investor was present and hopeful that stable employment would be offered to residents, multiple interviewees expressed frustration and confusion over usage of the county development fund.<sup>10</sup> In addition, interviewees described a recent incident where some disgruntled workers left a threatening letter in the mine that stated company officials would be killed if they did not meet a series of demands. After PIOM expressed concern for the safety of its personnel and threatened to close down, community members gave the names of the purported letter-writers to the Emergency Response Unit (ERU) of the Liberia National Police (LNP), who were subsequently jailed. Deployment of the ERU has become the GoL's de facto response to problems at concession sites across Liberia, presumably to reassure investors that their security is a priority of the government.

While workers' union officials who were interviewed in Tiamah's Town stated that there were some small disputes over labor issues, for the most part they described a cordial and strong relationship between contractors and PIOM.<sup>11</sup> There was, however, concern that the company would continue to hire only contractors rather than full-time employees.

Interviewees repeatedly referred to their frustration over the type of positions that were offered to local residents – namely, unskilled manual labor. Affected community members suggested that there were citizens in the district with management experience, masters degrees, and experience working with the government, but who were not being considered for senior or management positions.<sup>12</sup> Such sentiments formed the basis for the riot in 2011 as well.<sup>13</sup> For their part, the PIOM liaison office stated that the company had conducted an education campaign to explain why they were looking elsewhere for managerial candidates, and stated that they had set up a vocational training program for residents to learn computer and

**Deployment of the ERU has become the GoL's de facto response to problems at concession sites across Liberia, presumably to reassure investors that their security is a priority of the government.**



English skills.<sup>14</sup> According to respondents, this outreach has had an impact – many expressed that the availability of information from PIOM liaisons had helped to reduce tensions that existed in 2011.<sup>15</sup>

While most members of the towns directly adjacent to the mine will not be resettled, the ESHIA states that a number of people will be told to move due to construction of the railroad, road, and port. PIOM built a large concrete house for an individual who was resettled due to construction of an airstrip, which SDI researchers observed and photographed. The structure appeared sound – PIOM should either continue providing adequate alternative housing for residents who will have to adjust to the move or provide funding that can pay for them to build new residences on their own. In the China Union concession, resettlements were done in a highly inappropriate manner – individuals were given \$100-200 USD, a pittance that was not nearly enough for them to adapt to new circumstances.<sup>16</sup> PIOM must not conduct itself in this manner, and must ensure that all residents who are asked to move are content with the process and compensation package that they are given.

While there were complaints about pay and employment opportunities, the most significant and repeatedly mentioned complaint in affected communities related to the poor government management of the Social Development Fund. This is an ongoing problem that has plagued the country for a number of years – funds that were created to offset the impact of mining concessions have instead been manipulated by local politicians and civil servants, and it is likely that there has been substantial corruption by government officials tasked with managing the money and supervising projects.

Residents expressed confusion over the lack of transparency in the management of the Social Development Fund in Grand Gedeh, the bulk of which has been provided by PIOM. \$875,000 USD was furnished to the GoL by PIOM for projects in Grand Gedeh last year alone, but no projects have been financed in the affected communities themselves. Indeed, an administrative building in Zwedru was renovated to the tune of \$100,000 USD, complete with expensive desks for county officials. This may directly contravene aspects of the MDA, which state that the funds are “only for direct delivery of services ... and not to fund the general work programs of administrative offices or officials.”<sup>17</sup> It is imperative that the GoL ensures that local legislators and county officials do not mismanage the funds, as has been the case in the ArcelorMittal and China Union concessions.<sup>18</sup>



**Concrete Structure Built by PIOM for Community Member Resettled from Airstrip Facility, Grand Gedeh County. © SDI**

In a concerning event, SDI researchers were unable to obtain copies of the county sitting records from the Assistant Superintendent for Development or the County Superintendent himself – both of whom stated that those publicly available documents could only be obtained after the Ministry of Internal Affairs agreed for them to be released. Eventually the Superintendent offered researchers the 2012 county sitting record, but refused to furnish the most updated record and instead pointed to the Ministry of Internal Affairs in Monrovia.<sup>19</sup>

The following section details specific concerns that SDI holds about the Social Development Fund in Grand Gedeh, particularly relating to PIOM's contribution.

#### footnotes

- 14 SDI Interview with PIOM Community Liaison Office, Grand Gedeh County, April 17.
- 15 SDI Interview with Affected Community Members, Tiama's Town, Grand Gedeh County, April 17.
- 16 SDI, "Community Relations in the China Union Concession."
- 17 PIOM MDA, Section 8.
- 18 SDI, "Where is the Money? Misuse of the ArcelorMittal Social Development Fund," 2012; SDI, "Community Relations in the China Union Concession," 2014.
- 19 SDI Interview with Grand Gedeh County Superintendent, April 17, 2014.



## PIOM'S CONTRIBUTION TO THE COUNTY SOCIAL DEVELOPMENT FUND

Generally, citizens in affected towns appeared unaware of the technical details surrounding PIOM's social contribution, which is mandated in its MDA. While a few understood that a fund had been created for the benefit of citizens in Grand Gedeh, nearly no one was familiar with the regulatory framework or management structure of the money that had been paid out by PIOM. Citizens were aware that they were supposed to receive some monetary social benefit, and the lack of any visible improvements since the company has been surveying and assessing in Grand Gedeh was referred to as a major cause of frustration in affected communities.<sup>20</sup> PIOM was given high marks for some infrastructure it had built, but there was a palpable – and justified – sense that government officials were withholding money.

The Clan Chief of Putu Petrokon told researchers that he was invited to a 'county sitting' in 2013, but was not asked for suggestions regarding project implementation.<sup>21</sup> Most people interviewed had minimal knowledge regarding the way the social contribution is overseen at the county level, its targeted beneficiaries, or the procedures and role of the County Council.<sup>22</sup> While the onus in this case should be on the government to provide that education, PIOM should consider taking a more active role in helping affected communities understand the social contribution and how it is in theory to be disbursed for their benefit.

### ALLOCATION OF THE SOCIAL CONTRIBUTION UNDER THE NATIONAL BUDGET LAW

PIOM is obligated to pay an annual contribution that is dispersed to Grand Gedeh (50 percent), Sinoe (30 percent) and River Gee (20 percent). In 2012, PIOM was to pay \$1.25 million USD, in 2013 it paid \$1.5 million USD and in 2014 it will pay \$3 million USD.<sup>23</sup> It is to pay the figure of \$3 million USD subsequently on an annual basis until the end of the MDA.<sup>24</sup> Despite these stipulations, PIOM only paid \$500,000 USD for the fiscal year 2011-12, and the payment was not specified by county in the National Budget.<sup>25</sup>

According to the MDA, PIOM must set up a 'dedicated funds committee' to oversee management of its social contribution, and money from the contribution is only to be used for projects directly related to development of communities and not to administrative or government buildings. Communities that are directly affected by the mining operation are to receive priority in development projects.<sup>26</sup> Unfortunately, this has not been the case, with significant – and puzzling in its scale – money spent on government structures.

#### footnotes

- 20 SDI Interview with Affected Community Members, Grand Gedeh County, April 17-18.  
 21 SDI Interview with Affected Community Members, Putu Petrokon, Grand Gedeh County, April 17.  
 22 SDI Interview with Affected Community Members, Grand Gedeh County, April 17-18.  
 23 PIOM MDA, p.50.  
 24 Ibid, Section 8.  
 25 Republic of Liberia, "National Budget 2012/13," p.603.  
 26 PIOM MDA, p.50-51.

**Not only is the overwhelming majority of the contribution to Grand Gedeh being spent on administrative projects, the affected areas in Putu are clearly being overlooked by county authorities.**



The overall management structure of PIOM's social contribution is itself in direct violation of the MDA for several reasons. First, there is no 'Dedicated Funds Committee' comprised of a variety of stakeholders overseeing the funds as is stipulated in the MDA, due to the changes in the National Budget Law described in detail below.

The social contribution mentioned in the MDA has been collated into a government managed County Social Development Fund (CSDF), as per budget regulations passed recently. The CSDF is legally enshrined in the national budget law, but is exclusively managed at the county level by a variety of local authorities, most notably legislative caucus members, who are considered to be the most powerful stakeholders in the fund's expenditure. The ultimate decision making body that allocates funds is the yearly 'County Council' sitting. Delegates that represent different districts propose projects that are then approved by the entire body.<sup>27</sup> These changes greatly obscure the rules that govern the social contribution, and also these changes give county authorities a large degree of control over money paid by PIOM. In the past county level authorities and legislators were implicated directly in mismanagement of the ArcelorMittal social contribution.<sup>28</sup>

The social contribution paid by PIOM has been combined with the overall County Development Fund (CDF), which is an annual payment of around \$200,000 USD from the GoL directly to Grand Gedeh, that may be used for administrative purposes in addition to county development projects.<sup>29</sup> The combination of these Funds greatly obfuscates their potential application on the county level. Since Putu's mining operation will eventually expand into Sinoe County, the social contribution will be paid to each individual county, which will likely lessen the effectiveness of PIOM's ability to oversee the Funds. The MDA also maintains that the social contribution is for affected areas and is not to be spent on administrative projects. Not only is the overwhelming majority of the contribution to Grand Gedeh being spent on administrative projects, the affected areas in Putu are clearly being overlooked by county authorities.

## **ADMINISTRATIVE PROJECTS AND COMMUNITY CONSULTATION**

For the fiscal year 2011-12, Grand Gedeh received \$325,000 USD of the \$450,000 USD allocated to the county from PIOM's social contribution; moreover, the remaining \$125,000 USD was held by the Ministry of Finance.<sup>30</sup> For the fiscal year 2012-13, Grand Gedeh received the full \$875,000 USD social contribution as CSDF money while receiving \$200,000 USD from the GoL as CDF money, and the full amount was allocated via the County Council.<sup>31</sup>

In an interview with the Assistant Superintendent for Development, SDI learned that expenditures from the social contribution made in the fiscal year 2011-12 were made without any significant community consultation. The projects for that fiscal period consisted of a civil compound in Zwedru, the Jarwodee Administrative building, the Putu Commissioner Compound, the Grand Gedeh Community College, money for a radio station, and street rehabilitation in Zwedru.<sup>32</sup>

According to the Chair of the Project Management Committee (PMC), the body that oversees the implementation of projects funded by CDF/CSDF money, the PMC was unable to produce a report about ongoing projects in Grand Gedeh for the fiscal year 2011-12.<sup>33</sup> The PMC Chair stated that the ongoing projects for 2012-13 are the Zwedru Chief compound, the Jarwodee Administration Building and the PIOM administration Building.<sup>34</sup> Despite the relevant documents being public record, the County Superintendent, as well as his deputies, were reluctant to furnish SDI researchers with documents, as previously stated.

### **footnotes**

27 National Budget 2012/13, section 9.

28 PIOM MDA, p.50; SDI, 'Where is the money?'

29 Ibid.

30 Grand Gedeh County Council Resolution 2012/13, p.2.

31 Ibid, p.4.

32 SDI Interview with Assistant Superintendent for Development, Grand Gedeh County, April 16.

33 Grand Gedeh County Council Resolution 2012/13, p. 1.

34 Ibid, p.2.

## LACKING OVERSIGHT AND POOR PROJECT MANAGEMENT

During the 2012-13 County Council sitting, one delegate brought up the issue of no money being allocated directly to the areas adjacent to PIOM's operations; the County Superintendent later clarified that the former Commissioner of Putu Administrative District requested that the council allocate \$5,000 USD. This action was approved and later \$3,000 USD was added to this amount.<sup>35</sup> Despite the MDA stating that the social contribution is for the most affected areas, \$9,122 USD so far appears to be all that has been allocated directly to Putu from the CSDF, and the County Superintendent maintains that 'the administration does not give any preferential treatment to any district over against the other.'<sup>36</sup> The only project that has so far been approved in the Putu Administrative District was the Putu Administration Building estimated at \$1,122 USD.<sup>37</sup> In contrast, funding was allocated for administrative buildings in Zwedru for \$78,542.06 USD, Jarwodee for \$63,260.75 USD and one building for the entire county for which \$69,543 USD was approved.<sup>38</sup> It would behoove the central government to conduct a thorough audit of the nearly \$80,000 USD spent on the Zwedru administrative building, as multiple interviewees suggested that the figure sounded high for the work that was completed.<sup>39</sup>

In total, \$64,122 USD of the \$875,000 USD or 7 Percent of PIOM's social contribution to Grand Gedeh has been allocated to projects in the Putu area – these projects have not benefitted those in the most affected communities. The County Council resolution shows that large sums of PIOM's payments have been squandered. For instance \$370,000 USD has gone into 'Administrative District Development Projects' for which no prior assessment has been done, \$107,000 USD has gone to unspecified Administrative costs, \$212,467.87 USD was allocated for administrative buildings, and \$25,000 USD was allocated for chief's buildings.<sup>40</sup> Even money allocated to projects that benefit the county, such as the \$65,031.45 USD for road rehabilitation, has no impact on the affected communities and ultimately is utilized in a way that contradicts the intended purpose of PIOM's social contribution.<sup>41</sup>

**If PIOM is unwilling to exercise oversight of expenditure of its funds, it is virtually guaranteeing that it will face resistance and anger in communities in the future.**

## PIOM'S OVERSIGHT OF THE SOCIAL CONTRIBUTION

Money from PIOM's social contribution was also allocated to projects without determining costs of implementation or any prior assessment.<sup>42</sup> While the company has expressed interest in seeing the funds better managed, they have paid money into government accounts without properly investigating how the Funds are managed.<sup>43</sup> The MDA places oversight capacity for the social contribution with the company *and* government.<sup>44</sup> PIOM has as of the writing of this paper taken no measures to ensure the Fund is managed properly despite its power to demand audits yearly and its mandate to create a 'Dedicated Funds Committee.'

There is a significant onus on PIOM to ensure that fraud and misuse of its development contribution is addressed by the GoL. A consultant hired by PIOM has acknowledged that 'financial contributions by PIOM might not be effectively applied or equitably distributed to benefit Project-affected populations' due to the low capacity of government.<sup>45</sup> That consultant also acknowledged that county-level development plans should be an integral part of PIOM's development initiatives.<sup>46</sup> PIOM has recognized that the social contribution may not produce the intended result laid out in the MDA; however, the company should demand yearly audits from government and exercise its leverage to ensure the social contribution benefits the most affected communities.

If PIOM is unwilling to exercise oversight of expenditure of its funds, it is virtually guaranteeing that it will face resistance and anger in communities in the future. The contribution is not a generous gift to government to use however they see fit; it is specifically intended to benefit affected communities and counties overall, and any misuse can jeopardize PIOM's relationship with those communities. Given the violence and unrest in other iron ore concessions in Liberia, it would be wise for PIOM to come out ahead of potential problems and unequivocally insist that its contribution is used for the intended purpose of bettering the lives of those who live around its mine. While local officials may seek to establish their unassailable control over the funds, this is a fight worth picking – PIOM has power to ensure the fund is used appropriately and should be willing to take a hard stance against poor government management of its money.

### footnotes

- 35 Ibid, p.3.
- 36 Ibid.
- 37 Ibid, project lists.
- 38 Ibid.
- 39 SDI Interview with Affected Community Members, Grand Gedeh County, April 17-18.
- 40 Grand Gedeh County Council Resolution 2012/13, project lists.
- 41 Ibid.
- 42 Ibid, p.7.
- 43 SDI Interview with PIOM Community Liaison Office, Grand Gedeh County, April 17.
- 44 PIOM MDA, P.51.
- 45 PIOM ESHIA, Annex 4, p.66.
- 46 Ibid, p.65.



## CONCLUSION

**PIOM should understand that its relationship with the affected communities is practical as well as moral.**

**While there were issues regarding PIOM's preference for contract labor rather than full-time employees, along with serious concerns about the company's social contribution, the situation in Putu is presently much more stable and amicable than in other iron concessions. Residents appeared eager to get back to work and were hopeful that the GoL would grant Putu its license to begin operating again as quickly as possible.**

However, there is cause to believe that there are likely to be problems in the future, unless proactive measures are taken. For one, the bulk of the work has yet to commence – residents have not had to cope with the stress of mine blasting, environmental damage, or infrastructure building. In addition, the simmering discontent over the lack of managerial positions being given to residents in the area has not been fully resolved, despite PIOM releasing its former Human Resources manager who was blamed for most of the hiring decisions by the affected communities. Also, resettlements will commence promptly for citizens along the road and railway; while PIOM's first attempts at resettlement appear to have been done well, there is the risk that communities will feel undercompensated or mistreated by future efforts.

Finally, the GoL has sadly shown that it is unwilling or unable to effectively reduce conflict between affected communities and investors, essentially playing catch-up when protests erupt and sending paramilitary troops to make arrests rather than brokering mutually acceptable political settlements. This process of continually downplaying or ignoring simmering community resentment and then being caught flat-footed when protests erupt should serve as a warning to all investors in Liberia that the GoL is incapable of effectively managing community relations inside concessions. Thus, it is imperative that PIOM is able to proactively know what issues are likely to emerge in its mining phase and provide compensation for damages, up to and including a willingness to pressure the GoL to spend its development funds wisely.

**This process of continually downplaying or ignoring simmering community resentment and then being caught flat-footed when protests erupt should serve as a warning to all investors in Liberia that the GoL is incapable of effectively managing community relations inside concessions.**

### footnote

47 SDI Interview with Affected Community Members, Grand Gedeh County, April 17-18.

PIOM should understand that its relationship with the affected communities is practical as well as moral. Individuals living in the area are dealing with extreme hardship and poverty, and PIOM should continue its outreach and consider funding projects outside of the obligations of its MDA. As the company saw in the 2011 riots, a disgruntled community can affect its operations and make life extremely challenging for staff members. More importantly, a 25-year contract will span the adult lives of a great many residents, and it benefits all parties to establish a respectful relationship that improves the lives of residents in the affected communities. Its efforts to keep communities well-informed about its operations are a good start – outreach programs should continue and allow space for residents to ask questions and offer their views on company operations. PIOM should remember that it is likely to deal with a number of different governments, but it will always have the same neighbors.

On the GoL's side, there is an urgent need to bring tighter supervision and auditing to PIOM's social contribution. Nearly all interviewees blamed government for exercising minimal oversight of the fund and allowing county officials to spend the bulk of the contribution on administrative buildings that have limited benefit for the affected communities.<sup>47</sup> This trend is an unfortunate continuation of unprofessional and irresponsible management of development funds in other parts of Liberia. It is absolutely imperative that the GoL implement policies sooner rather than later which will address the shortcomings of the present management process, and which will result in at least 20 percent of the fund being spent in the area around the mountain range. This will bring stability for the investment as well as provide much deserved justice for a population that will soon see a mountain that holds livelihood and religious significance to them being destroyed by PIOM.

# # 02

## COMMUNITY RELATIONS IN THE **PUTU IRON ORE MINING CONCESSION**



BRIEFING | JULY 2014

# IRON ORE



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, the 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.

[www.sdiliberia.org](http://www.sdiliberia.org)