



Land Grab or Responsible Development? Oil Palm Concessions in Liberia Teaching Note

Case Summary

The country of Liberia emerged gravely damaged from a civil war that raged from 1989---2003. Yet within five years, the World Bank ranked the African country one of the “10 best reforming countries in the world.” Thanks in large part to reforms instituted by President Ellen Johnson Sirleaf after her term began in 2006, Liberia by 2011 was attracting unprecedented amounts of Foreign Direct Investment (FDI). Investors wanted to exploit its rich resources of iron ore, diamonds, timber, rubber and other materials. The country’s supporters and citizens hoped the influx of money would lead to improved social and economic conditions, as well as cement the peace.

Liberia was heavily agricultural, but most of the agriculture was subsistence farming and the country had to import food, especially during the three---month rainy season. Malnutrition was widespread, causing among other ills stunted growth in children. Poor educational opportunities created a vicious multi---generational cycle of poverty and deprivation.

The government in 2009 inked a major deal with Sime Darby, an Indonesia---based palm oil company, to develop 220,000 hectares of land across four counties. This was precisely the kind of investment President Sirleaf sought. Under the 63---year contract, Sime Darby promised to invest over \$3 billion in Liberia; the project was expected to bring jobs, income, schools, clinics and development to the local communities. One of these was Grand Cape Mount, a poor and agricultural county designated as the first area for Sime Darby to clear for palm trees.

In 2011, the company moved in to Grand Cape Mount, ready to clear and plant land they thought the government had ascertained was available for development. But local communities had had little to no warning. Villagers charged that they were not consulted before their land was taken, that they were not fairly compensated for their land and crops and that after clear---cutting, they were unable to farm or fish in the traditional manner. Many complained the promised jobs never materialized. The charge was heard internationally that Sime Darby had engaged in a “land grab”—taking land without the prior free consent

of those affected. A rising crescendo of protests, often brokered by local non-governmental organizations (NGOs), culminated in a violent protest in December.

President Sirleaf herself visited Grand Cape Mount to calm the waters and listen to local complaints. A ministerial task force was set up to investigate the charges. Sime Darby was asked to suspend further development for the duration of the investigation. The task force reported in January 2012 that both the company and the government had made errors. It recommended restitution in some cases, a new land survey and a review of compensation mechanisms.

Meanwhile, Gbarpolu was the next county slated for Sime Darby development. The two counties had much in common. Gbarpolu leaders were dismayed by reports reaching them from Grand Cape Mount about Sime Darby's conduct. While many villagers hoped the palm plantation would bring prosperity in its wake, others worried about a loss of land and livelihood. The case ends as Gbarpolu's village leaders debate what they should ask for when Sime Darby comes to their area. They wonder whether the government will support them if they refuse to give the company use of the land. What might be a workable compromise? How could they both advance the economic interests of their communities and ensure that development would not come at the expense of land rights, livelihoods, food security and health.

Teaching Objectives

This case examines the tensions that can arise when a developing country, courting investment, has to balance the rights and traditions of the indigenous population against economic and development needs. As of 2012, Liberia remained one of the poorest countries in the world, and highly dependent on aid. At the same time, Asian palm oil investment in West Africa was increasing at a rapid pace—and Liberia stood to profit. The government wanted to reinvigorate the economy and promote development, but also sought food security and employment for its citizens.

Use the case to start a conversation about how a developing country can attract FDI and still protect the interests of citizens, many of whom depend on subsistence levels of agriculture and hunting to survive. Should Sime Darby be allowed to prohibit slash-and-burn agriculture, the time-honored method of keeping land fertile for Liberian farmers who could not afford fertilizer? Dependence on natural resources can result in the so-called "resource curse": when mismanaged FDI magnifies food insecurity, fails to increase economic growth, and exacerbates existing political weakness. Is that a threat with the Sime Darby concession contract?

Ask students what authority the Gbarpolu village chiefs have in the negotiation they are about to undertake with Sime Darby and, indirectly, the Liberian government. What can they learn from Grand Cape Mount's experience? Do they have any more leverage than Grand Cape Mount did and, if so, what is it? What is the role of NGOs in this unfolding story? Should the villagers work with NGOs or try to represent themselves?

Ask students to analyze how Gbarpolu found itself in the situation it faces vis-à-vis Sime Darby. Were there junctures at which regional leaders could have taken action earlier? Keep in mind that President Ellen Johnson Sirleaf comes from the area, and that food insecurity historically has been associated with violence. What is the significance, or the opportunity, afforded to Gbarpolu by the December 2011 outbreak of violence in Grand Cape Mount?

Take the discussion to a higher policy level by looking at development from the point of view of the president's office. What does President Sirleaf hope to achieve with natural resource concessions, and what are the precedents for such action? Do concessions qualify as land grabs, or are they generally accepted instruments of national development? What data from the case can students summon to argue for and against the government's natural resource policy? What about from Sime Darby's point of view? Is Liberia a good country to invest in?

Depending on the level of knowledge among students, or the focus of the course/class, this case offers the chance to discuss such diverse issues as land grabs, social unrest in post-conflict societies, development policy, and the relationship among food security, education levels, and malnutrition. Ask students, for example, to discuss natural resource development policy in Liberia and how it intersects with social policy. What about the contract with Sime Darby advances the need of citizens for good health, schooling and employment? What about the contract could undermine those needs?

Consider the international framework for this contract. How, if at all, do the International Covenant on Economic, Social and Cultural Rights (United Nations, effective 1976), the Convention on the Rights of the Child (United Nations, effective 1990), or the Convention on the Elimination of All Forms of Discrimination against Women (United Nations, effective 1981) affect the likely outcome of this palm oil project? Is Sime Darby's operation likely to differ in any significant way from that of Firestone?

Some instructors may find it profitable to ask students to role play during class. If so, you will need to provide each group with additional background material on the institution that group represents. Suggested roles include farmers in the affected area (Grand Cape Mount County), farmers in the expansion area (Gbarpolu County), Sime Darby, the Sustainable Development Institute (SDI), Green Advocates (a Liberian environmental NGO), the Liberian Environmental Protection Agency and the Liberian president's office.

Finally, ask students to consider what policy changes could help avert similar crises in the future. What measures might Gbarpolu leaders seek that would protect not only their constituents, but other vulnerable groups in Liberia? In the approaching negotiation mentioned at the end of the case, what is the bottom line for the villagers? For the government? For the company? Discuss.

Class Plan

Use this case in a course/class on natural resource development policy, negotiations, land policy or rural communities.

Pre---class. Help students prepare for class by assigning the following question:

1. What are the pros and cons of the Sime Darby contract for Gbarpolu?

Instructors may find it useful to engage students ahead of class by asking them to post brief responses (no more than 250 words) to questions in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the students' work both to craft talking points ahead of class, and to identify particular students to call upon during the discussion.

In---class questions: The homework assignment is a useful starting point for preliminary discussion, after which the instructor could pose any of the following questions to promote an 80--90 minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion. In general, choosing to discuss three or four questions in some depth is preferable to trying to cover them all.

- a) Is the Sime Darby contract a fair natural resources concession contract? What constitutes a fair concession agreement? List elements on board. From whose point of view?
- b) Was Sime Darby deceptive? Was the government? What went wrong?
- c) Is Sime Darby engaged in a land grab? Support your arguments.
- d) Discuss the relationship between economic development and food security. What can allow them to be complementary?
- e) You are SDI. What do you counsel Gbarpolu's leaders to ask for in negotiations with Sime Darby and/or the government?
- f) What influence does international law have on contracts like Sime Darby's with Liberia?
- g) How can a government like Liberia's reconcile long----term goals (f.ex. eliminate damaging slash----and----burn agriculture) with short----term realities (f.ex. farmers can't afford fertilizer so slash----and----burn is all they have)? Give other examples of such dichotomies.
- h) How should a developing country balance its development needs against traditional and other land rights?
- i) How might Gbarpolu's leaders reconcile the conflicting views among their villagers regarding Sime Darby?
- j) Is Liberia a good country to invest in?
- k) How justified in their thinking are those who argue that disputes over concession agreements could lead to renewed violence in a society like Liberia?

Suggested Readings

Frazer Lanier, Ashoka Mukpo, and Frithiof Wilhelmsen, *Smell No Taste*, Centre for International Conflict Resolution (CICR), Columbia University, 2012

SYNOPSIS: This comprehensive examination of the social impact of foreign direct investment on Liberia is a clearly written account. The researchers, who spent two periods of time in Liberia, had assistance from the United Nations and others in reaching distant areas of the country. Focused on the iron ore and palm oil sectors, the report offers valuable background on the Sime Darby plantation and places it in the context of a broader development program.

<http://www.cicr-columbia.org/wp-content/uploads/2012/01/Smell-No-Taste.pdf>

Silas Kpanana'Ayoung Siakor, *Uncertain Futures: The Impacts of Sime Darby on Communities in Liberia*, World Rainforest Movement (Uruguay) and Sustainable Development Institute (Liberia). August 2012

SYNOPSIS: This report is focused squarely on Sime Darby and its palm oil plantation in Liberia. It gives good background on the evolution of the stand-off between local communities and the company. It also provides separate recommendations for the government, company, and civil society organizations respectively on how to resolve the situation in Liberia and avoid a repeat in the future. It draws a line between respect for land rights and the threat of violent conflict. The author is a young, award-winning Liberian environmentalist.

http://www.fern.org/sites/fern.org/files/uncertain%20futures_baja.pdf

Sime Darby press release, "False and Inaccurate Reports on Liberian operations," February 3, 2012

SYNOPSIS: This press release from Sime Darby gives a flavor for its point of view in the controversy. The website also provides links to numerous press releases and reports which readers of the case study might find interesting.

http://www.simedarby.com/False_and_Inaccurate_Reports_on_Liberian_Operations.aspx

Silas Kpanan'ayoung Siakor and Rachel S. Knight, Editorial, "A Nobel Laureate's Problem at Home," *New York Times*, January 20, 2012

SYNOPSIS: This op-ed in the *New York Times* captured considerable attention, coming as it did barely a month after President Ellen Johnson Sirleaf accepted the Nobel Peace Prize

in Oslo. The authors contend that President Sirleaf, in encouraging foreign direct investment, has lost sight of the interests of some of her citizens. It speaks in particular of the Sime Darby contract and the riot in Mount Cape Mount (it gets the chronology slightly wrong).

http://www.nytimes.com/2012/01/21/opinion/in---liberia---a---nobel---laureates---problem.html?_r=0

Tamasin Ford, "Liberia land deals with foreign firms 'could sow seeds of conflict,'" *Guardian*, February 29, 2012

SYNOPSIS: Another article which indicates just how international is the interest in what Sime Darby is doing in Liberia. The *Guardian* piece gives some good local color, as well as context for the dispute.

<http://www.theguardian.com/global-development/2012/feb/29/liberia-land-deals-could-seed-conflict>

World Bank, Liberia web page

SYNOPSIS: This World Bank webpage, constantly updated, provides some good history on Liberia and its policies. The available tabs are: Overview, Projects & Programs, Data, Research, News & Views. Readers interested in knowing more about the country could profitably start with this website. To use in conjunction with the case, look for reports about the period before 2012.

<http://www.worldbank.org/en/country/liberia>