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Letter dated 24 October 2002 from the Chairman of the Security Council Committee established pursuant to resolution 1343 (2001) concerning Liberia addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution 1343 (2001) concerning Liberia and in accordance with paragraph 16 of resolution 1408 (2002), I have the honour to submit the report of the Panel of Experts on Liberia (see annex).

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

(*Signed*) Kishore **Mahbubani**
Chairman
Security Council Committee established pursuant to resolution
1343 (2001) concerning Liberia

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Annex

Letter dated 7 October 2002 from the Panel of Experts on Liberia to the Chairman of the Committee established pursuant to resolution 1343 (2001) concerning Liberia

We have the honour to enclose the report of the Panel of Experts on Liberia, in accordance with paragraph 16 of Security Council resolution 1408 (2002).

(*Signed*) Atabou **Bodian**

(*Signed*) Johan **Peleman**

(*Signed*) Harjit **Sandhu**

(*Signed*) Alex **Vines**

Report of the Panel of Experts appointed pursuant to Security Council resolution 1408 (2002), paragraph 16, concerning Liberia

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Abbreviations

AFL	Armed Forces of Liberia
ASECNA	Agency for the Safety of Air Navigation in Africa and Madagascar
ATU	Anti-Terrorist Unit (Liberia)
ECHO	European Commission Humanitarian Aid Office
ECOWAS	Economic Community of West African States
FAO	Food and Agriculture Organization of the United Nations
FOB	Freight on board
HRD	Hoge Raad voor Diamnant/High Diamond Council
ICAO	International Civil Aviation Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
Interpol	International Criminal Police Organization
LISCR	Liberian International Ship and Corporate Registry
LURD	Liberians United for Reconciliation and Democracy
MSF	Médecins sans frontières
OTC	Oriental Timber Company (Liberia)
PCASED	Programme for Coordination and Assistance for Security and Development
RIA	Roberts International Airport
RPG	Rocket propelled grenade
RUF	Revolutionary United Front (Sierra Leone)
RUFP	RUF Party
ULIMO	United Liberation Movement for Democracy in Liberia
UNAMSIL	United Nations Mission in Sierra Leone
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNOL	United Nations Peace-building Support Office in Liberia
UNREC	United Nations Regional Centre for Peace and Disarmament in Africa
USAID	United States Agency for International Development
WHO	World Health Organization

Executive summary

1. Since the Panel submitted its last report (S/2002/470) in April 2002, Liberia's internal conflict has continued to spread, with violence spilling over into Guinea and Sierra Leone. Recent events in Côte d'Ivoire also underscore how fragile this region remains, although the peaceful multiparty elections in Sierra Leone in May were a positive development.

2. The Panel continued to track the remnants of the armed RUF. It met with Ibrahim Balde (also known as Bah) and the wife of Sam "Mosquito" Bockarie, as part of its efforts to assess the continued capability of these remnants of RUF in Liberia. The Panel was unable to locate "Mosquito" but continues to believe that he is currently resident outside Liberia, possibly in Ghana.

3. Balde and another informed source in Monrovia estimated that RUF strength in Liberia is between 1,250 and 1,500 men, operating in elite Liberian government military units. These men represent the last coherent surviving structure of the armed RUF. They enjoy the patronage of the Liberian Government and continue to play an important part in Liberia's military capability.

Arms

4. The Panel uncovered new violations of the arms embargo on Liberia, including the delivery to Roberts International Airport of six cargo aircraft in June, July and August 2002 containing weapons and ammunition supplies totalling over 200 tons. These weapons were mainly from old Yugoslav stocks and were supplied by an arms dealer based in Belgrade.

5. To avoid detection of these arms transfers and to obtain clearance for the flights, a sophisticated trail of double documentation was set up. Officially, the arms were sent to Nigeria and flight authorizations and matching cargo manifests were issued for the cargo aircraft to fly to Lagos. At the same time, flight requests were issued for the same aircraft to fly to Liberia but then the specification on the cargo manifests stated that the arms on board were "mine drilling equipment" for a diamond mine in Monrovia.

6. The present report shows in detail how the arms were delivered and how false documentation was used. The Panel obtained false end-user certificates from Nigeria, used for the delivery of over 200 tons of arms in violation of the arms embargo. In cooperation with the Nigerian authorities, it was established that the end-user certificates were false. A non-existent Nigerian company and a number of go-between companies and brokers were involved in these illicit arms deals.

7. The Panel observed that arms also continue to reach LURD rebels through the neighbouring countries of Sierra Leone, Côte d'Ivoire or Guinea. In one case described in the present report, the Liberians United for Reconciliation and Democracy (LURD) was found to have mortar rounds that originally had been supplied by the United Arab Emirates to the Republic of Guinea as military assistance. According to the Guinean Defence Ministry, these arms were destroyed during a fire in one of the Guinean armed forces military barracks.

8. The Panel recommends that:

- The arms embargo on Liberia should continue and be regularly monitored for violations.

- The arms embargo should be extended to all armed non-State actors in the region, including LURD. Arms-exporting countries should abstain from supplying arms to the Mano River Union countries, in line with the moratorium on small arms that applies for the whole ECOWAS region.
- The urgent establishment of a United Nations working group to develop the modalities for a standardized end-user certificate that would contain, at the minimum, the name, address and telephone number of the signing authority for the certificate, and the name, address, telephone number and arms-trading licence of the broker(s) involved.
- The moratorium on the importation, exportation and manufacture of small arms and light weapons in West Africa and its implementation mechanism, the Programme for Coordination and Assistance for Security and Development (PCASED), should be more effectively used to monitor and combat illicit trafficking and sanctions busting.

9. Under the current requirements for the moratorium, the member States of ECOWAS issue requests for exemptions to import arms to the ECOWAS secretariat, which are then circulated to the member States for approval. There is, however, no requirement to submit copies of the end-user certificates that are issued to order the arms in the case that the exemption is granted. The Panel also recommends that:

- All end-user certificates should be submitted to the ECOWAS secretariat as part of the procedure to obtain waivers for the importation of arms into West Africa.
- The moratorium should be broadened and become an information exchange mechanism for all types of weapons procured by ECOWAS members.

Civil aviation

10. Although Liberia has changed its former EL prefix to A8, Liberia has not registered any aircraft on its newly opened registry. This could result in aircraft still operating under the old prefix. The Panel believes the Liberian civil aviation authorities should act quickly to ensure that this change is instituted.

11. The Panel continued to try to obtain information from the Liberian authorities about the crash of an Antonov 12 cargo plane at Roberts International Airport on 15 February 2002. Little further information was forthcoming, and a copy of the accident notification drawn up for ICAO by the authorities was substandard and inaccurate. Investigations by the Panel confirm that the crew was Ukrainian, and the flight was carrying tightly packed rectangular wooden boxes. The boxes were covered with Chadian diplomatic seals, and the impact of the crash caused their contents to explode. The navigator of the plane was killed and was buried in Odessa.

12. The Panel recommends that Liberia, in accordance with the requirements set by the Chicago Convention on International Civil Aviation, investigate properly the aircraft accident and that its findings — including those on the nature of the cargo — be presented to the Security Council Committee on Liberia within three months.

Diamonds

13. The embargo, coupled with progress in the Sierra Leone peace process, has continued to result in the disappearance of "Liberian"-labelled rough diamonds from official markets. Smuggling of Liberian diamonds into neighbouring States has also

declined because quality production has been disrupted by the internal conflict in Lofa.

14. The Kimberley Process Certification Scheme for trade in rough diamonds will be launched on 5 November 2002, and both Guinea and Sierra Leone report that their certification schemes work well, although smuggling remains a serious problem. Liberia has yet to make progress in establishing a credible certification system.

15. A draft plan of action for Liberia drawn up by the High Diamond Council (HRD) for the Ministry of Lands, Mines and Energy is a small step forward. It makes suggestions on what would be the minimum requirements needed for Liberia to be compatible with the Kimberley Process. Liberia is far from this currently and will need to show political will and obtain international assistance if it is to join the Kimberley Process Certification Scheme.

Revenue and governmental expenditure

16. The Panel continued to investigate how the Government of Liberia funds its arms procurement. Nearly all income appears to be used for military operations and this pattern of spending has contributed towards humanitarian hardship. An independent audit of key revenue sources, such as those from the corporate and maritime registry and timber industry, remains pressing. In both cases, the Panel found evidence of discrepancies of millions of United States dollars between the figures provided by the Ministry of Finance and the Central Bank of Liberia or the Forestry Development Authority.

17. In a welcome move, the Government of Liberia signed on 27 September with the international auditing firm Deloitte & Touche for a systems audit and design aimed at capturing and tracking the revenue and expenditure of proceeds derived from maritime and forestry activities. This will only last for 120 days, however. The Panel recommends that the Government publish all of the results of this systems audit and that, once it is completed, it should be followed up with an 18-month full financial audit by an international auditing firm.

The travel ban

18. The Panel believes that the travel ban continues to be violated and has continued to receive reports of individuals named on the list being sighted in North America, Europe, the Middle East and Africa. As reported in previous reports, sightings of Liberian officials at Abidjan airport have continued and the local authorities appear to be relaxed about enforcing the ban.

Conclusions on the humanitarian impact of sanctions

19. Sanctions have had a negligible impact on the humanitarian situation and the diamond ban is confined to a traditionally small sector of the economy that has been more affected by insecurity in Lofa than by sanctions. Lifting the arms embargo without adequate reform of the security sector would leave the civilian population even more at the mercy of unconstitutional forces, armed militia and abusive security apparatus. Reform requires a restructuring of the armed forces in Liberia to reconstitute an appropriate command and control structure and to ensure discipline and the rule of law.

20. The travel ban is targeted at a small number of individuals and has not affected the wider population, although it continues to provide savings for government. Poor governance, economic mismanagement and armed conflict are the prime reasons for the lack of investor confidence and donor fatigue, not sanctions, although the latter do enhance the image of Liberia as an international pariah.

21. Sanctions have had a psychological impact on the population. Speculators in the currency market exploited the imposition of sanctions, resulting in a rise in inflation and higher prices for goods. Rent seekers have also raised prices and attributed these to sanctions, even when that is not the case.

22. The Government of Liberia has also used the imposition of sanctions as an excuse for its failure to improve services and reform. The Government has conducted an effective propaganda campaign across the country and many Liberians believe that their marginalization and some of their economic woes are owing in part to United Nations sanctions. The United Nations has done little to counter such negative propaganda.

Introduction

A. General

23. In reference to Security Council resolution 1408 (2002) of 6 May 2002, the Secretary-General, on 17 July 2002, appointed a Panel of Experts (see annex I) to conduct a follow-up assessment mission to Liberia and neighbouring States, in order to investigate and compile a report on:

- The Government of Liberia's compliance with the demands contained in subparagraphs 2 (a) to (d) of Council resolution 1343 (2001);
- The potential economic, humanitarian and social impact on the Liberian population of the measures imposed by paragraphs 5 to 7 of resolution 1343 (2001);
- Any violations of those measures, including any that involve rebel movements.

24. In paragraph 2 of resolution 1343 (2001), the Council demands that the Government of Liberia immediately cease its support for the Revolutionary United Front (RUF) in Sierra Leone and for other armed rebel groups in the region, and in particular take the concrete steps delineated under subparagraphs (a) to (d), which include:

(a) Expel all RUF members from Liberia and prohibit all RUF activities on its territory;

(b) Cease all financial and military support to RUF and take steps to ensure that no such support is provided from the territory of Liberia or by its nationals;

(c) Cease all direct or indirect import of Sierra Leonean rough diamonds which are not controlled through the certificate of origin regime of the Government of Sierra Leone;

(d) Freeze funds or financial resources or assets owned or controlled directly or indirectly by RUF.

25. Paragraphs 5 to 7 of resolution 1343 (2001) involve, respectively, a tightened embargo on arms and related materiel of all types, including technical training; a ban on the direct or indirect import of all rough diamonds from Liberia; and a travel ban on senior members of the Government of Liberia and its armed forces, their spouses and individuals providing armed support to armed rebel groups in countries neighbouring Liberia.

26. Throughout its work, the Panel remained cognizant of the fact that the demands contained in subparagraphs 2 (a) to (d) of resolution 1343 (2001) were intended to lead to consolidation of the peace process in Sierra Leone and to further progress in the peace process in the Mano River Union.

27. The Panel took particular note of paragraph 4 of resolution 1408 (2002), in which the Council calls on all States in the region to cease military support for armed groups in neighbouring countries, to take action to prevent armed individuals and groups from using their territory to prepare and commit attacks on neighbouring countries and to refrain from any actions that might contribute to further destabilization of the situation on the borders between Guinea, Liberia and Sierra Leone.

28. On 15 July 2002, the Liberian Minister of Foreign Affairs transmitted to the Permanent Mission of Liberia to the United Nations a decision, CM/Dec.662 (LXXVI), on the situation in Liberia taken by the Council of Ministers of the Organization of African Unity (now known as the African Union) at its seventy-sixth ordinary session, held in Durban, South Africa. In the decision, the Council calls on all States in the region to cease support for armed groups from neighbouring countries and prevent armed groups from using their territories to prepare and stage attacks on neighbouring countries. It also calls on the Security Council to lift the sanctions imposed by it on Liberia, in the light of what the African Union described as the "grave socio-economic impact on the populace".

29. The Panel also took note of the contents of the written submission made to it by the Government of Liberia on 13 August 2002 during its meeting with the Government's task force on compliance with sanctions. The written submission encloses an assessment report on the military situation prepared by the Economic Community of West African States (ECOWAS) and the correspondences undertaken by the Government of Liberia to get help and assistance in establishing a certificate of origin regime for diamonds. The Panel has taken all of these submissions into account in the preparation of the present report.

30. The Panel of Experts consisted of an expert from ICAO, Mr. Atabou Bodian (Senegal); an expert on arms and their transportation, Mr. Johan Peleman (Belgium); an expert with Interpol investigative experience, Mr. Harjit S. Sandhu (India); and an expert on diamonds, Mr. Alex Vines (United Kingdom of Great Britain and Northern Ireland). The letter of appointment of the Panel is contained in annex I.

31. The Panel first met at United Nations Headquarters on 30 July 2002, and it was agreed with the Security Council Committee on Liberia that its report would be submitted on 7 October 2002. The Panel also kept the Security Council Committee on Liberia informed of the progress of its work, as and when necessary.

B. Methodology of the investigation

32. **Questionnaires**. The Panel requested specific information from the relevant countries, through their permanent missions to the United Nations, regarding certain arms shipments, the movement of suspicious aircraft used for the illegal transportation of arms and ammunition, and the activities of certain individuals involved in such deals. The Panel requested information from 38 countries. Most of the information requested was provided by the concerned Governments. Four exceptions stand out: despite reminders, no response was received from Chad, Côte d'Ivoire, Israel and the United Arab Emirates.

33. **Visits to countries**. The Panel travelled extensively to the countries involved, or believed to be involved, in the trafficking of weapons and related materiel to Liberia in violation of Security Council embargoes and also to those countries that could provide useful information on such activities. The entire Panel visited Belgium, Burkina Faso, Guinea, Sierra Leone, Liberia and the United States of America. One or more members of the Panel visited the Republic of the Congo, Côte d'Ivoire, France, Ghana, Lebanon, Moldova, the Netherlands, Nigeria, Togo, Uganda, the United Kingdom of Great Britain and Northern Ireland and Yugoslavia.

34. **Field visits**. In order to make a first-hand assessment of the potential humanitarian and economic impact of the sanctions on the Liberian population, a consultant to the Panel[1] travelled extensively in the interior areas of Liberia. This included visits to the camps of internally displaced persons,[2] refugee camps,[3] hospitals,[4] diamond mining claim sites, logging concession sites, saw mills and plywood factories, reforestation sites, rice plantation, rubber plantations and farming areas.

35. **Interviews**. In each country visited, the Panel members interviewed governmental authorities and, where relevant, diplomatic missions, civil society organizations, aid agencies, private sector firms and journalists. The Panel also contacted a number of key individuals whose names have been a subject of interest and controversy in recent months in connection with the crisis in the subregion (see annex II). Given, however, the sensitive nature of the subjects investigated by the Panel, it should be noted that many individuals spoke under conditions of confidentiality. Several meetings held in various countries have therefore not been listed.

36. **Assistance from international and regional organizations**. The Panel received useful cooperation and assistance from several international organizations such as IMF, Interpol, ICAO, IMO, and made proper use of their expertise, where relevant.

37. **Police and judicial records**. The Panel was able to access the police and judicial records of several cases linked to trafficking of arms and ammunition that were under investigation and under-trial.

C. Standards of verification

38. The Panel used the same high evidentiary standards in its investigations as used in its previous reports (S/2001/1015 and S/2002/470). This required at least two credible and independent sources of information to substantiate a finding. Wherever possible, the Panel also put allegations to those concerned so as to allow

them the right of reply. As in its previous reports, the Panel attached a large number of annexes, comprising documents proving the ownership of airline companies, payments made for arms purchases and fraudulent use of passports to bypass travel ban restrictions etc.

39. In the past two years, the Panel has systematically collected from West African countries the statistics and details on the movement of unscheduled flights to and from Liberia. Depending on the recorded departure point of the flights, the Panel has also gathered information from several other African countries, all over the continent, and from several States in Europe and the Middle East on the routings and flight plans of the aircraft involved.

40. In addition to its own detailed verification, the Panel received corroborating information from international agencies and police sources operating at the international as well as national level. The assistance of Interpol specialists was also called upon as and when required. In all cases mentioned in the report that follows, the Panel did not rely solely on oral testimonies. Corroborative documentary and circumstantial evidence was always insisted upon. The evidence, therefore, is incontrovertible and irrefutable.

D. Mandate of the Panel: the dilemma continues

41. The Panel's mandate is described in section A above. In its earlier report (S/2002/470), the Panel had mentioned the concern raised by the Government of Liberia and some of its supporters about the reasonableness of the sanctions against Liberia in pursuance of paragraphs 5 to 7 of resolution 1343 (2001) in the light of RUF having been fully transformed into a political party. The same concern was repeatedly raised during the current mandate. The Panel remained cognizant, throughout its work, of its role and its responsibility in helping to end the suffering of the people of the subregion.

E. De-linking subparagraphs 2 (a) to (d) from paragraphs 5 to 7 of resolution 1343 (2001)

42. The Panel was repeatedly reminded by the Government of Liberia that the sanctions imposed under paragraphs 5 to 7 of resolution 1343 (2001) were a direct result of the report of the Panel of Experts on Sierra Leone (S/2000/1195), in which the Panel had concluded that the Government of Liberia was actively aiding and abetting conflict in Sierra Leone by providing military and financial support to RUF. In January 2001, when the President of Sierra Leone declared the end of war in Sierra Leone by the symbolic gesture of shaking hands with General Issa Sessay of RUF, it also marked, at least in principle, the completion of the metamorphosis of RUF into a political party known as the RUF Party (RUFP).

43. It is a strange situation: on the one hand, the Government of Liberia claims that the provisions of subparagraphs 2 (a) to (d) have become redundant and, on the other hand, it continues to violate the sanctions imposed under paragraphs 5 and 7. These violations have been brought out clearly in two previous reports (S/2001/1015 and S/2002/470) and also in the present report.

Part One
The context

Liberia's internal conflict and regional instability

44. The internal conflict in the north-west of the country spread towards towns and villages closer to the capital Monrovia in the months prior to the Panel's new assessment mission. Early in August, the Panel visited Guinea, Sierra Leone and Liberia and found that a direct threat to the Liberian capital no longer existed after the Government forces and militia started a series of counter-offensives around the end of June, driving LURD out of such cities as Tubmanburg. These were clearly assisted by the significant deliveries of arms and ammunition from Yugoslavia that arrived at Roberts International Airport in June, July and August from Belgrade (see part Two below).

45. The August shipment also included a new rotor engine and spare blades for one of the Government's military helicopters. Quickly repaired after months of inactivity owing to a lack of spare parts, this helicopter was used immediately to resupply overstretched bases closer to the front line in the north.

46. Likewise, the offensives of the different LURD factions have coincided with new supplies of arms and ammunition. LURD strongholds and positions can only be resupplied by road from neighbouring Guinea, Côte d'Ivoire and possibly Sierra Leone. LURD operations in the first six months of 2002 suggest some training, supply of new arms and overall command and control.

47. The military situation, however, remains very unclear and contradicting claims of victories and losses by either side are very difficult to verify. Lofa is largely inaccessible and the conflict has spread to areas closer to the capital that have become inaccessible for independent observers or humanitarian agencies. In upper Lofa, both LURD and government armed forces and militia operate on an axis between Zorzor, Vahun, Kolahun and Voinjama. Individual fighters from both warring sides regularly cross into the porous border zones along the Sierra Leonean or Guinean borders.

Growing humanitarian crisis

Liberia is today once more facing a humanitarian crisis. The fighting in the north-west has led to the multiple internal displacement of hundreds of thousands of Liberians in addition to the exodus of nearly 200,000 into neighbouring countries. According to the World Food Programme, only 35,000 internally displaced beneficiaries were receiving food in February 2002 and that had increased to over 127,000 by September 2002. Thousands more internally displaced are thought to have been trapped behind the front lines of the fighting without adequate food security. Since the fighting is continuing and many displaced persons are inaccessible, the number of internally displaced persons is expected to significantly rise over the coming year.

48. In Sierra Leone, the Panel obtained reports about small groups of hungry and demoralized Liberian government soldiers or LURD rebels fleeing into border villages, sometimes for purposes of looting and extortion. Abductions of civilians in eastern Sierra Leone by unidentified men have also been reported — a reminder of how fragile peace still is in this region.

49. The Panel once again received credible information about LURD members stationed in Guinean border towns. The Panel met early in 2002 with LURD representatives in the Guinean capital.

50. This illustrates how volatile this region is. The outbreak of violence in Côte d'Ivoire only adds to this instability and will contribute to the continued proliferation of bandits, rebel groups, mercenaries, uncontrolled police and militia in the entire subregion. The Panel received numerous accounts of groups of mercenaries from Sierra Leone, Liberia, Guinea, the Gambia, Ghana and Burkina Faso offering their services to the various warring groups in the Mano River Union area. Along with these armed men, weapons and ammunition continue to move across borders.

A. Remnants of the Revolutionary United Front are still active in Liberia

51. One such armed group comprises the remnants of the armed RUF in Liberia. The Panel recognized the importance of paragraph 2 of resolution 1343 (2001), subparagraphs (a) to (d), which includes a call for the expulsion of all RUF members from Liberia and the cessation of all financial support of RUF. The Panel reported (see S/2002/470) that remnants of the now defunct RUF in Sierra Leone have joined, as mercenaries, the various warring factions in Liberia. Reports of hundreds of RUF forming the core of some of the offensive units on the side of the Government of Liberia are persistent.

52. Interviewed by the Panel in a country in the subregion, a key former member of RUF, Ibrahim Balde (also known as Bah), told the Panel that the hardcore elements of RUF, mostly Sierra Leoneans, had been integrated in the Anti-Terrorist Unit in Liberia. Their current commander is General Benjamin Yeaten, a close confident of President Taylor. It is said that the Unit's continued loyalty to Sam Bockarie is the latter's guarantee to continued Liberian patronage. Bockarie is, however, not thought to be staying in Liberia. The Panel, after repeated attempts, was finally given permission by the Minister of Foreign Affairs to talk to the wife of Sam Bockarie. She is living in Paynesville, a suburb of Monrovia, in a compound with her four children and some other relatives. She told the Panel members that she had not heard from her husband for at least six months. Two sources, one of them Ibrahim Balde, told the Panel that Sam Bockarie had first been relocated to Zambia after his departure from Monrovia and that he had last been seen in Ghana, as reported earlier by the Panel (see S/2002/470).

53. Citizens and diplomats in Monrovia still regard the area where the Panel met Sam Bockarie's wife as a RUF stronghold and are frightened to go there. Balde and another informed source in Monrovia estimated current RUF strength in Liberia at between 1,250 and 1,500 men.

54. These men represent the last coherent surviving structure of the armed RUF and they are maintained by the Liberian Government and continue to play an important part in Liberia's military capability.

B. Fears of the civilian population

55. Liberian citizens live in a constant state of fear, not only because of the LURD insurgency but also because of fear of forced recruitment, maltreatment, looting, extortion or other abuses by the undisciplined armed units deployed by the Government, including the former RUF units. The regular armed forces, the various militia and the groups of fighters have not received salaries for months, a situation that encourages them to fight each other or to loot, steal or even kill innocent civilians. Although cases of torture and maltreatment of civilians by the various factions of LURD have also been documented, the population fears the Government controlled forces even more.

56. On 8 February 2002, a state of emergency was declared. The Foreign Minister and National Security Adviser claimed it was imposed in order to permit the Government to use its resources, without constraint for security measures. This had a serious impact on the ability of the political opposition, civil society, the United Nations and other actors to engage effectively the Liberian Government in a peace process and has increased the practices of intimidation, violence and human rights abuses even further. The lifting of the state of emergency at the end of September 2002 creates a window to address these issues.

57. There is also strong evidence that some of the looting campaigns have been stage-managed by the Government and then later blamed on the dissidents in an effort to make a case against the perceived unfairness of the arms embargo. The Panel has no mandate to monitor the human rights situation in Liberia but wants to underline this to counter the Government's claim that the civilian population is suffering because of the imposition of an arms embargo.

C. Intimidation of sources

58. The Panel has received a number of accounts about individuals, either governmental officials or private Liberian citizens or expatriates, that have received threats or have been subjected to severe beatings or other inhumane treatment because they were suspected by the Liberian Government of being sources for the Panel's reports. Several names are therefore not given in the list of meetings and consultations (annex II).

Part Two
Weapons

I. Continued violations of the arms embargo

A. Use of ships in the transportation of arms

59. The Panel received several unconfirmed reports about ships being used to transport weapons to Liberia, especially through Buchanan port. The Panel members talked to port authorities, freight forwarders and shipping agents in several ports in West Africa in order to verify these allegations. So far the investigations have been inconclusive.

B. Air transportation is the preference of sanctions busters

60. The Panel gathered sufficient evidence to prove that the Liberian authorities still depend on the use of aircraft for arms procurement. Despite the uncooperative attitude of the Liberian authorities, the Panel was able to identify certain unscheduled suspect cargo flights by analysing information gathered from air traffic controllers in several African and European countries.

C. Deceptive practices

61. At present, only Ghana has new radar that allows it to control the upper air space even when certain aircraft try to avoid detection. However, this one radar covers only a very small part of the largely uncontrolled airspace in the whole subregion, so the risk of detection remains relatively low.

62. Several techniques are being used by arms traffickers to avoid detection. In previous reports (S/2000/1195, S/2001/1015 and S/2002/470) the Panel reported on the use of fraudulent registration numbers by arms traffickers to avoid detection. In the recent cases highlighted in the present report, the arms trafficking aircraft used false flight plans. When the Panel compared these flight plans to discover the real flight movements of an aircraft, the following deception tactics were found:

- Multiple requests filed to civil aviation authorities in different countries for flights at the same time, all using the same aircraft.
- Use of different brokering companies to issue these flight requests for the same aircraft.
- Use of insurance for several operators for one plane at the same time.
- Use of false flight plans and routings.
- Refusal of the pilots involved to contact the control towers or aviation authorities of the countries they overfly.
- Complex corporate structures showing the registration of the aircraft, the insurance for the plane, insurance for the cargo, the operating agent of the aircraft and the owner of the aircraft all registered in different countries and sometimes represented by third parties.
- Flexible and sometimes fraudulent use of call-signs and flight numbers.
- Use of forged documents in respect of the registration, operating licences or airworthiness certificates of aircraft used in the trafficking.
- Constant search for new flags of convenience for the registration of the aircraft concerned.
- Sequences of flights, usually three or four different flights, to deliver the total amount of the ordered weapons.
- Use of false declarations (e.g. "technical equipment" or "mine drilling equipment") on the cargo manifests to misrepresent what the cargo is.

63. The Panel was able to expose the deceptive measures used by such arms traffickers by analysing the data collected from different flight regions and vital documents, such as contracts or end-user certificates and export authorizations, and by locating and interviewing the crews of the aircraft involved.

D. Arms cases

64. On 31 May 2002, an Ilyushin 76 freighter aircraft left the airport of Belgrade with military equipment on board. After a fuel stop in Tripoli (Libyan Arab Jamahiriya), the plane flew to Roberts International Airport, Monrovia, and arrived early on 1 June 2002.

65. This was the first flight of a series of six, conducted between May and the end of August 2002. An additional flight on 29 September 2002 was eventually cancelled. The arms on board were delivered in Liberia on 1, 7 and 29 June, 5 July, and 23 and 25 August 2002 (initially by an Ilyushin and in August by a Lockheed). The Panel inspected copies of the packing lists for the items that were shipped, a summary of which is provided below.

Table 1
Arms delivered to Liberia between June and September 2002

	Items on board	*Weight*	*Date of landing in Liberia*
Flight 1	1,000 automatic rifles 7.62x39mm 498,960 cartridges 7.62x39mm M67 2,000 hand grenades M75	21 tonnes	1 June 2002
Flight 2	1,000 automatic rifles 7.62x39mm 1,260,000 cartridges 7.62x39mm M67 2,496 hand grenades M75	40 tonnes	7 June 2002
Flight 3	1,500 automatic rifles 7.62x39mm 1,165,500 cartridges 7.62x39mm M67	40 tonnes	29 June 2002
Flight 4	120,000 rounds of ammunition 7.62mm for M84 11,250 round of ammunition 9mm NATO 75,000 rounds of ammunition 7.65mm 100 missile launcher RB M57 4,500 mines for RB M57 60 automatic pistols M84, 7.65mm 20 pistols CZ 99, 9mm 10 Black Arrow long-range rifles M93, 12.7mm 5 machine guns M84, 7.62mm	33 tonnes	5 July 2002
Flight 5	100 missile launchers RB M57 1,000 mines for RB M57 50 machine guns M84, 7.62mm 1,500 automatic rifles 7.62x39mm 17 pistols CZ 99, 9mm 92,400 rounds of ammunition 7.62x54mm 526,680 rounds of ammunition 7.62x39mm 9,000 rounds of ammunition 9mm 6,000 rounds of ammunition 7.65mm 9 hunting rifles	38 tonnes	23 August 2002
Flight 6	152 missile launchers 1,000 mines for RB M57 10 automatic pistols M84, 7.65mm 5,200 rounds of ammunition for Black Arrow long-range rifle M93, 12.7mm 183,600 rounds of ammunition 7.62x54mm 999,180 rounds of ammunition 7.62x39mm 2 sets rubber pipelines 3 propellers 1 rotor head 17 pistol holders	38.5 tonnes	25 August 2002

66. The official documents obtained to secure an export licence for these shipments were from the Ministry of Defence of Nigeria (see annex V). Documents shown to the Panel at Belgrade were meant to convince the Panel that the arms were delivered to Lagos, Nigeria. The plane, however, made several stops, did not fly to Lagos airport in Nigeria but to RIA in Liberia. The plane refuelled there and then returned to Ivano-Frankivsk in Ukraine, the airport where the Ilyushin is based. Some of the flights flew back with fresh fish that was picked up in another African country for delivery to Slovakia.

67. The arms were mostly older equipment from Yugoslav army stocks. They were driven in military trucks from military barracks to the aircraft and loaded on to the aircraft under supervision of a forwarding agent Interjug AS. The manager of the company was interviewed by the Panel.

1. Arms supplier: the company TEMEX

68. A company based in Belgrade, TEMEX, was responsible for the contracts in Yugoslavia. The director of the company, Mr. Slobodan Tezic, received the Panel in his office in Belgrade and explained how he had been introduced to unidentified African men by a friend and business partner, Mr. Orhan Dragas.

69. Mr. Tezic showed the Panel the packing lists for the arms, copies of the cargo manifests, the bills of lading and the two Nigerian end-user certificates that were used to obtain an export licence from the Yugoslav authorities. As far as Mr. Tezic was concerned, the deal was a strictly legal transaction between the Yugoslav supplier — the army — and the Ministry of Defence of Nigeria. The cargo documents also showed stamps from a company in Nigeria, Aruna Import Co., the airport in Lagos and the Ministry of Defence of Nigeria as confirmation that the cargo had been shipped to and arrived in Lagos (see annex IV.A).

70. The Panel verified, however, that the documents shown to it had been sent from Nigeria to Belgrade on 19 September 2002, more than two months after the flights had taken place. Physical inspection of the arrival of the plane and cargo in Lagos would therefore have been impossible.

71. The Panel also met with Mr. Orhan Dragas, who had allegedly introduced the non-identified African clients to Mr. Tezic. Mr. Dragas acknowledged that he knew Mr. Tezic and had been contacted by him for a meeting with the Panel. When the Panel inquired about Mr. Dragas's business, he explained that he was a trader in timber and cacao, although his business card mentions that he is President of the Board of a company MDO Systems "Trading Company for Special Purpose Merchandise", an English translation of the Yugoslav terminology used to describe military equipment.

72. Asked about recent trips to Africa, Mr. Dragas told the Panel he had travelled to Liberia in April 2002, where he had discussed cocoa and timber deals. He had never been to Nigeria. Mr. Dragas denied that he had introduced any delegation of African individuals to Mr. Tezic.

73. The Panel obtained the documentation for the shipments from the Yugoslav authorities and, in cooperation with them, established that the Yugoslav authorities had followed the normal procedure for the exportation of military equipment. On the basis of an end-user certificate supplied by a Yugoslav broker, an export licence had been issued for the sale of arms to Nigeria. Surprisingly, neither the Yugoslav

authorities nor the broker, Mr. Tezic, were aware of the existence of the moratorium on small arms that applies to West African States, including Nigeria.

74. The Panel also verified that the ECOWAS secretariat had not received any notification on an order of small arms by Nigeria, as required by the moratorium. Subsequently, the Panel verified, in cooperation with a task force that was set up by the authorities in Nigeria to investigate this matter, that the two end-user certificates were false.

2. End-user certificates and brokers

75. The end-user certificates that were used show that several go-between companies were used to set up the arms deals between Yugoslavia and the alleged client, the Ministry of Defence of Nigeria. For the first series of shipments, a company called Finding Investment Company (FIC), registered in Liberia, was used. After the Yugoslav authorities requested TEMEX to deal through another company because they had noticed a Liberian connection to the deal, a new document was used, not a genuine end-user certificate but a "declaration of verification", purportedly issued by the Nigerian Ministry of Defence and showing that a new company, Waxom Co., registered in Vaduz (Liechtenstein), was now authorized to represent the client. This document is also a forgery, as verified by the authorities in Nigeria. The whole document trail was set up by different brokers — including TEMEX, MDO Systems, Aruna Import, FIC, Waxom and Interjug AS — to enable them to violate the arms embargo on Liberia.

76. When the Panel requested Mr. Tezic of TEMEX to show them who had paid for weapons — evidence that might have proved that the arms had gone to Nigeria as he claimed — he flatly refused to give or even show this information to the Panel and said it was secret information, although he initially claimed that there had been a bank transfer from the Ministry of Foreign Affairs of Nigeria.

3. Landings in Monrovia and use of false documents

77. Evidence showing that the planes flew to Liberia instead of Nigeria was obtained by the Panel through different sources. The first evidence the Panel obtained were overflight requests for planes that were on their way to Liberia. Furthermore, the Panel interviewed pilots and crewmembers of the aircraft involved who confirmed that they had landed and refuelled in Liberia where the cargo was offloaded. The Nigerian Government informed the Panel that neither the Ilyushin nor the Lockheed had landed in Lagos in May, June, July or August and that the airport stamps, the cargo manifests and the end-user certificates for Nigeria were all forgeries. The pilot for the flights with the Ilyushin insisted to the Panel that he had landed in Nigeria despite all of the physical and documented evidence to the contrary. He was unable to provide the Panel with any documented proof that he had landed in Lagos.

78. The crews and operating agent of the Lockheed that was used for the flights in August were given cargo manifests showing that they were transporting "mine drilling equipment" for a company in Liberia called Astra Mining Corporation, a diamond mining company with a registered address in Monrovia. The Liberian Minister of Lands, Mines and Energy and the Liberian Ship and Corporate Registry confirmed to the Panel that no such company exists. The so-called consignor was a company in Belgrade but this company had not exported any mine drilling

equipment in the previous 12 months and had no dealings with Liberia, as was verified by the Panel. The operating agent of the Lockheed also supplied the Panel with a copy of his logbook showing the landings in Liberia, and with a copy of the invoice he had obtained after refuelling in Liberia (see annex IV.B). He believed that the plane was delivering mining equipment.

79. All of the evidence suggests that a double document trail was used, one to convince the Yugoslav authorities and the Panel that military equipment was being sold to Nigeria and another one to convince the transport agent that his aircraft was shipping mining equipment to Liberia.

4. Use of false flight plans

80. In Yugoslavia, the Panel obtained all of the flight authorizations for the six arms flights, however none showed Liberia as a destination. The requests for these authorizations in May, June and July were all issued by a company in Ukraine that acted on behalf of the operating agents for the aircraft. In Yugoslavia, a freight-forwarding agent, Interjug AS, prepared the paperwork for the flights. During a meeting with the Panel, the managing director of that company was unwilling to provide it with any information. He claimed that he had provided the crews of the aircraft with all documentation for the flights and had not kept copies of those documents.

81. The Panel did receive overflight requests for all of these flights through its cooperation with civil aviation authorities in several African countries. The documents clearly show that the aircraft were not flying to Nigeria at all, but to Liberia. For instance, Senegal's civil aviation authorities provided the Panel with the copy of an overflight request for the Ilyushin 76. The request was issued on 24 June for an overflight permission for flights from Tripoli to Monrovia for 27 and 28 June. The plane landed and offloaded the cargo in Monrovia on 29 June 2002. However, the Panel has another set of documents showing flight plans, requests and authorizations for overflights to and landings in Nigeria on the exact same date. This pattern, the Panel can document, was used for all six flights (see annex III). The only difference was that, for the August flights, another type of aircraft was used, one that could fly from Belgrade to Monrovia directly without needing a fuel stop in Tripoli.

82. Tripoli had to be avoided because, on 16 July 2002, when the fifth consignment was to leave Belgrade, the Yugoslav authorities intervened. The loading of the military equipment was stopped and the crew of the Ilyushin were forced to stay on board for 24 hours. The authorities in Belgrade were apparently worried because it was stated on the end-user certificate that a company registered in Liberia (FIC) was a broker for the arms transaction and that the planes with arms on board would make a stop in the Libyan Arab Jamahiriya. It took another month before Interjug was able to charter the Lockheed that could fly directly from Belgrade to Liberia with shipments five and six, without having to refuel in Libya.

Table 2
Double document trail

Routing and flight authorizations	*False*	*True*
	Flight requests for Nigeria	*Flight requests for Liberia*
Exported cargo	Mine drilling equipment for diamond mine in Liberia Technical equipment for Ministry of Defence, Lagos	More than 200 tons of military equipment supplied by the company TEMEX, Belgrade
Client/consignee	Nigerian Defence Ministry, according to forged end-user certificates	Government of Liberia in violation of United Nations arms embargo
Proof of landings	Forged Lagos airport and Nigerian Ministry of Defence stamps	Fuel invoices for refuelling of aircraft in Liberia, pilot's logbook and testimony of crews

5. Other cases

83. The Panel had, during previous mandates, tried to obtain an explanation from the authorities of Côte d'Ivoire about an end-user certificate signed by the Minister of Defence in January 2001. The end-user certificate was an authorization for a shipment of arms for the Ivorian armed forces. The list of weapons specified on the document is, however, an exact copy of the list that was found on the end-user certificate that was used by Leonid Minin to ship 5 million cartridges to Liberia in July 2000. As reported in previous reports of the Panel, Mr. Minin was arrested in Italy soon after the shipment arrived in Liberia and the rest of the arms on the end-user certificate had therefore not been sent.

84. Given the similarity of the weapons order on the end-user certificate with that used by Leonid Minin, the Panel tried to verify that the new end-user certificate might also have been used to ship arms to Liberia.

85. The broker named in the January 2001 end-user certificate was a company, Nataco Holdings, from Bulgaria (see annex VI). The Bulgarian authorities, however, confirmed that no authorization had ever been given for this company to export arms. This leaves the possibility that the broker, although registered as a company in Bulgaria, used the certificate in another country but the Panel did not receive any information on this.

86. A clarification from the authorities in Côte d'Ivoire might have provided conclusive evidence, but the Panel did not obtain any information on this issue, despite several written requests, numerous visits to the country and several meetings with officials of the Defence Ministry.

87. The Panel has obtained information that a copy of this Ivorian end-user certificate also turned up in a Belgian police investigation. The Belgian police found a copy of the document during a search of the premises of a diamond buyer who had been active in Liberia, as a partner of Ibrahim Balde (also known as Bah), late in 2000 and early in 2001. Balde's activities in Hotel Boulevard have been described in a previous report of the Panel (S/2002/470).

88. The document was found in an envelope, stamped by the Ivorian Ministry of Defence and addressed to Ambassador-at-large for Liberia, Mohamed Salame. Ambassador Salame, who carries a Liberian diplomatic passport, denied any involvement with the document or with any arms deals on behalf of the Liberian Government. He also denied any involvement with the arms deals that were previously organized by Leonid Minin, despite Minin's claims to the contrary during the Panel's interview with him in 2001.

89. The Panel also questioned the Liberian Government about the end-user certificate and was told that Ambassador Salame was an Ivorian citizen and that the Panel should address any questions about the Ivorian end-user certificate to the Ivorian authorities.

90. The Panel did not want to pursue the issue of the end-user certificate any further because it was focused on the more recent violations of the arms embargo and because it received no cooperation from the authorities in Côte d'Ivoire. However, the circumstances under which a copy of this end-user certificate ended up with the Liberian Ambassador-at-large in Abidjan are an issue of concern.

II. Arms for Liberians United for Reconciliation and Democracy

91. The LURD rebels do not occupy any area to which significant deliveries by cargo aircraft would be possible, and they do not have access to the sea. A presence of LURD has been noted in Conakry, in Macenta (Guinea) and in Danane in western Côte d'Ivoire but even deliveries by road from those places would be impossible without passing several frontier crossings that are guarded by either Guinean or Ivorian border guards.

92. LURD sources claim that their only supplies are arms and ammunition captured during armed encounters with the Liberian government forces and militias. LURD have captured significant quantities of AK-47s from the Liberian government forces, some of which have been seen by the Panel. The serial numbers of these have been made available to the Panel.

93. A second source of arms for LURD is the continued proliferation of small arms and the related problem of the mushrooming growth of uncontrolled rebel groups and loosely controlled or underpaid military or police units in the subregion. The Panel again received numerous accounts of arms and ammunition being sold or bartered away by hungry or unpaid military or police personnel from both Liberia and Guinea, including to LURD.

94. The Liberian government forces showed the Panel a batch of arms that were seized from LURD. These were 81mm mortar ammunition rounds that were captured in Lofa county. The ammunition showed the markings of the United Arab Emirates. The Liberian Ministry of Foreign Affairs addressed a request to its counterpart in Abu Dhabi, asking for an explanation. The response, a copy of which was given to the Panel, shows that the ammunition was part of an assistance package of the United Arab Emirates to Guinea, shipped to Conakry in December 1998.

95. How the ammunition got into the hands of LURD is unclear because the Ministry of Defence in Guinea claims that these mortar rounds were destroyed during a fire in one of the arms depots of the Guinean armed forces in 2001.

End-user certificates

End-user certificates are vital to obtain export licences for the sale of military equipment. In the past two years, the panels on Sierra Leone and on Liberia found the following end-user certificates had been used to violate the arms embargo on Liberia:

- An end-user certificate issued in Burkina Faso, authorizing a brokering company, Engineering and Technical Company Ltd., registered in Gibraltar, to obtain arms. The certificate was used to obtain authorization for the shipment of 68 tonnes of defence equipment and ammunition to Burkina Faso in March 1999. As the Panel has documented (see S/2000/1195), these arms were subsequently transported to Liberia.
- A series of end-user certificates for a company PECOS, registered in Guinea, that were used to obtain military equipment, including helicopters, some of which ended up in Liberia in a series of shipments from Kyrgyzstan, the Republic of Moldova and Slovakia, in 2000 and 2001. These cases were documented in S/2001/1015. In Kyrgyzstan, the Panel's investigation led to the dismissal of a military attaché involved with the sale to Liberia. In Slovakia, one of the representatives for the company PECOS was arrested.
- An end-user certificate from Côte d'Ivoire for a company in Moscow, Aviatrend, that was used to obtain authorization for a shipment of 5 million cartridges from surplus stocks in Ukraine. As reported in S/2001/1015, these arms were also diverted to Liberia in July 2000. Leonid Minin, who paid for the weaponry, is standing trial in Italy in relation to this case.
- An end-user certificate from Côte d'Ivoire dated January 2001 for a company, Nataco Holdings Bulgaria PLC, that contains exactly the same items as the other certificate from Côte d'Ivoire. The case is under investigation by the police in Belgium.
- As documented in the current report, two fake end-user certificates from Nigeria were used by the companies TEMEX (Belgrade), Aruna Import Co. (Nigeria), FIC (Liberia) and Waxom (Liechtenstein) to ship over 200 tons to Liberia in June, July and August 2002. The case of the forged certificates is now under investigation in Nigeria, not only for violations of the arms embargo on Liberia but also with respect to the suspicion that these or similar certificates may have been used to supply mutineers in Côte d'Ivoire with arms.

The Panel sees three main areas of concern:

- The use of brokers, most of which are registered in tax havens or in countries in which the broker's identity remains secret.
- The acceptance by exporting countries of the end-user certificate as the sole guarantee needed to obtain an export licence for defence equipment and related materiel, without properly checking the authenticity of these documents.
- The ease with which end-user certificates can be forged or obtained is a vital weakness in the observance of United Nations arms embargoes. The lack of a standardized, universally recognizable end-user certificate makes it easy for illicit arms dealers and brokers to forge them and apply for arms export licences in producer countries.

III. Humanitarian impact and the arms embargo

96. Lifting the arms embargo without adequate reform of the security sector would leave the civilian population even more at the mercy of unconstitutional forces, armed militia and abusive security apparatus. Reform requires a restructuring of the armed forces in Liberia to reconstitute an appropriate command and control structure and to ensure discipline and the rule of law.

97. Civil society members have tried to explain the rationale for the sanctions and have tried to counter government propaganda but, for their own safety, many of the groups and individuals in civil society can only give a silent endorsement of the sanctions regime and cannot publicly advocate their opinion. The detention or harassment of critical voices in society has again increased the generalized sense of insecurity and intimidation. This could be seen as an indirect, but entirely Government-created, humanitarian result of the sanctions.

98. Government anger at the externally imposed arms embargo has also limited the ability of the United Nations Peace-building Support Office in Liberia, international mediators and civil society to create a more conducive environment for the peace process and the return of the rule of law. This in turn has made it more difficult to address the humanitarian concerns for the refugees, the internally displaced and the population's security needs. Due to the defiant attitude towards outside actors for their perceived interference with matters of national defence, the Government of Liberia is less responsive to any calls for greater peace efforts.

99. The Liberian Government justifiably complains that concerted international pressure has not been applied to Guinea for its support of the armed dissident groups that are allowed to operate from Guinean territory, and uses this rationale for its defiant stance on the issue of peace talks and mediation, which is an important step towards reversing the humanitarian situation.

IV. Recommendations on arms

100. The Panel recommends that the arms embargo on Liberia be maintained.

101. As recommended in S/2001/1015, the Panel again recommends the urgent establishment of a United Nations working group to develop the modalities for a standardized end-user certificate that would contain the name, address and telephone number of the signing authority for the certificate, and the name, address, telephone number and arms-trading licence of the broker(s) involved.

102. In all of the cases mentioned in the present and previous reports of the panels on Sierra Leone and Liberia, the end-user certificates that were used to divert weapons to Liberia in violation of the arms embargo were all from ECOWAS member States. The Panel again stresses that the moratorium on the importation, exportation and manufacture of small arms and light weapons and its implementation mechanism, PCASED, should be more effectively used to monitor and combat illicit trafficking and sanctions busting.

103. Under the current requirements for the moratorium, the member States of ECOWAS issue requests for exemptions to the ECOWAS secretariat, which are then circulated to the member States for approval. There is, however, no requirement to

submit copies of the end-user certificates that are issued to order the arms in the case that the exemption is granted.

104. The Panel strongly recommends that a requirement to also submit copies of the end-user certificates become part of the procedure to obtain waivers for the importation of arms into West Africa.

105. The Panel reiterates its recommendation that the moratorium be broadened to an information exchange mechanism for all types of weapons procured by ECOWAS members.

106. As reported in the present and previous reports of the Panel of Experts, the availability of arms in West Africa is a very serious problem that cannot be solved without the assistance of all parties concerned: law enforcement agencies in West Africa and regional institutions dealing with the issue such as the Interpol regional offices or PCASED, the ECOWAS/PCASED Liaison Bureau and the various national commissions set up to oversee the implementation of the moratorium. The Panel has exchanged information with Interpol and PCASED and stresses the importance of this regional framework which already exists and might be used in a more effective way to come to grips with the problems posed by uncontrolled flows of light weapons into the region, including the operations of arms-trafficking networks and their continued supplies of weapons and ammunition to Liberia.

107. However, from the Panel's exchanges with several countries in the subregion and with the ECOWAS secretariat it seems that, so far, although the framework has been set up, there are few results in terms of combating arms trafficking. Some member States also seem to violate the moratorium by importing arms without requesting waivers and only about one half the member States of ECOWAS have effectively set up national commissions.

108. The Panel also recommends that more efforts be made, both by ECOWAS member States and by donor countries, to strengthen the national commissions and the secretariat in terms of staffing and equipment.

Part Three
Civil aviation

I. On the new registry

109. Since the agreement was reached between ICAO and Liberia to change the former EL prefix to A8, Liberia has not registered any aircraft on its newly opened registry. This is a result of a poor exchange of information among civil aviation authorities and could also result in aircraft still operating with the former EL prefix because over 100 aircraft worldwide were registered with the EL prefix. The Liberian civil aviation authorities should act quickly and promote their new registry with the A8 prefix.

II. Management of airspace

110. The upper airspace of Liberia is still being managed by the Roberts Flight Information Region with its centre in Conakry, in conformity with the letter of

agreement signed on 22 November 2001. An additional technical meeting on the matter is scheduled to be held in Dakar, late in 2002.

III. Crash of the Antonov 12 on 15 February 2002

111. The Panel has reported on the crash of an Antonov 12 cargo plane (see S/2002/470). Little is still known about the exact circumstances of the crash because the Liberian authorities, contrary to paragraph 21 of Security Council resolution 1408 (2002), have shown no willingness to cooperate on this matter and have systematically refused to supply the Panel with the necessary information on the crash.

112. The Panel's request for more information is related to the cargo that was on the aircraft at the time of the crash. Interviews by the Panel near the scene of the crash confirm that, for several hours after the plane crash-landed, there was a series of explosions caused by the cargo. Villagers in the surrounding area thought it was gunfire and fled their homes, fearing an attack. These reports and the persistent refusal of Liberia to conduct a proper investigation and to supply any information about the crash and the cargo make the Panel suspect that the plane was carrying weapons and ammunition.

113. On 14 August 2002, the Panel again requested information about the 15 February accident during a meeting with the Liberian Minister of Transport. The Minister explained that a commission of inquiry had been set up but that the commission lacked the necessary means, in terms of both staff and equipment. The Panel had also sent a written request to the Liberian authorities on the issue. First, Liberia responded in writing and, on the issue of the plane crash, only two documents were provided:

(a) The accident notification, as required by ICAO, but the notification has no date on it and the name of the owner of the aircraft, the operating agent and the charterer are missing as is the name and nationality of the pilot and all of the crew and passengers on board. Finally, there is no description of the dangerous goods on board;

(b) A memorandum of the Ministry of Transport on the creation of the commission of inquiry that was set up to investigate the crash.

114. Clearly, this is not sufficient. The International Civil Aviation Organization (ICAO) sets clear guidelines about accidents and demands from member States to investigate such incidents in cooperation with the companies concerned and the State in which the plane is registered and the passengers and crew based. In any case, the State in which the accident occurred has to facilitate the inquiry.

115. The Panel met the Liberian authorities once more at the end of September. During this meeting, the Panel was questioned about their insistence on the issue of the crash and was once more told by the authorities that they were under no obligation to respond, especially as the country was under a state of emergency at the time of the crash. No further information was provided.

116. Despite the lack of cooperation from the Liberian authorities, the Panel has obtained flight plans (see S/2002/470) and further information shows that the aircraft had left Brazzaville (Republic of the Congo) for N'Djamena (Chad) to pick up a consignment of meat. In Chad, meat was not loaded on the aircraft but rectangular wooden boxes tightly packed with Chadian diplomatic seals were. The

destination of the flight was also changed to Roberts International Airport, Liberia. Certain passengers on board refused to fly with the Ukrainian crew to Monrovia, with the exception of two Congolese and one Chadian citizen.

117. When the plane crashed approaching Roberts International Airport, the navigator, of Ukrainian nationality, was killed and nine other people on board were injured. The deceased navigator (Mr. Victor Podzyg) was buried in Odessa (Ukraine) 10 days after the crash. The nine injured were taken to Firestone Hospital, close to the airport in Liberia, and to hospitals in Abidjan. According to the Panel's own investigation and sources that were at N'Djamena airport at the time, everything had been organized in Monrovia and in N'Djamena, where the plane had been chartered. At N'Djamena airport the suspicious cargo was put on board, overseen by a senior Congolese officer and Chadian gendarmes. It remains unclear as to whether the owner of the plane, who was in Kinshasa when the crash happened, was involved. The owner, Mr. H. H. Orlov of Ukrainian nationality, flew to Monrovia with a colleague a couple of days after the crash occurred to investigate what happened and to arrange for the body of the navigator to be sent to Ukraine. Mr. Orlov attended the funeral in Odessa.

118. The Panel sent several requests to the Chadian authorities, inquiring about the flight plan and routing of the aircraft and about the cargo and passengers on board because the flight authorization given by the Liberian Civil Aviation Authority showed that this had been a Chadian Government VIP flight. Chad did not respond to these requests for information.

119. The aircraft was an Antonov 12, registered in the Republic of Moldova (ER-ADL). The Republic of Moldova informed the Panel that the aircraft had been struck off its registry in June 2001 and had been operating illegally at the time of the crash. This registration fraud obviously has legal consequences for the investigation of the accident.

120. The Panel visited the Republic of the Congo and discussed this crash with the civil aviation authorities there because the aircraft had been using the country as a maintenance base and was operated by the company Inter Transport. The Congolese authorities cancelled the operations of this airline immediately after the accident occurred. As reported by the Panel (S/2002/470, sect. II.C), the documents for the flight to Monrovia showed that the operator was flying under the name Inter Trans Congo, a company that did not exist although Inter Transport did.

121. During its travels through the subregion, the Panel learned from civil aviation authorities in several countries in Africa that they are constantly approached by new airline companies seeking operating licences and registrations in their territories. The fleet that these companies want to operate consists mostly of old aircraft from the former Union of Soviet Socialist Republics, but once the operators are confronted with technical requirements, such as airworthiness, operating certificates, certificates of registration or deregistration, insurance documents or historical records on the maintenance of the aircraft, the applicants disappear. The case of the crashed aircraft shows how a lack of regulatory requirements may lead to abuse, violations of internationally accepted rules and eventually criminal activities, such as fraud and illicit arms trafficking.

IV. Recommendations

122. The Panel recommends that the Government of Liberia conduct an information campaign about changes to its registry so that it can remove the aircraft from its registry and start to re-register them in accordance with international civil aviation regulations. This will allow aircraft that were grounded under Council resolution 1343 (2001) to start operating again.

123. The Panel also recommends that the Government of Liberia, in accordance with the requirements set by the Chicago Convention on International Civil Aviation, start to properly investigate the aircraft accident of 15 February 2002 and that its findings, including those on the nature of the cargo, be presented to the Security Council Committee on Liberia within three months.

Part Four
Diamonds

I. Diamond embargo on Liberia

124. Sanctions were imposed on the export of Liberian rough diamonds after the Panel of Experts on Sierra Leone reported its findings (S/2000/1195). That report illustrated how diamonds far in excess of the quality and quantity available in Liberia had been imported into Belgium. These were for the most part illicit diamonds from other countries, using Liberia as a label of convenience. This trade provided Liberia with convenient cover for the export of conflict diamonds from Sierra Leone.

125. The imposition of an embargo, coupled with progress in the Sierra Leone peace process, has resulted in the disappearance of "Liberian"-labelled rough diamonds from official markets. There have been no recorded cases of imports from Liberia in the international markets since the imposition of the embargo. Also, no official exports have been recorded by the Ministry of Lands, Mines and Energy, the Central Bank of Liberia and the Ministry of Finance.

126. All licence and export permits of diamond dealers have remained suspended since 7 May 2001. No dealer's licence has been renewed for 2002. This suspension, the impact of the internal conflict and United Nations sanctions have contributed to a number of these dealers relocating their operations to the Gambia and Sierra Leone. Many of these dealers are not Liberian (but Mauritanian, Lebanese or Sierra Leonean, for example), although the brokers are.

127. As at October 2002, there were 3 registered dealers[5] in Liberia and 5 registered brokers.[6] This is down from 28 registered brokers and 12 registered dealers in 2000. The number of registered miners has also declined, from 361 in 2000 to 21 in 2002. Most diamond mining is illicit and therefore not reflected in official figures.

128. In its reports (S/2001/1015 and S/2002/470), the Panel of Experts reported that artisanal trade in rough diamonds had been affected by the embargo. Further investigation has shown that this trade has been on the decline since the late 1980s. In 1987, Liberia's official exports were valued at 295,034 carats (US$ 10,944,165) compared to 20,065 carats (US$ 975,021) in 2000 according to new figures provided by the Ministry of Lands, Mines and Energy.

129. The conflict in Lofa has continued to affect diamond production, especially in key mining areas such as Lofa Bridge, Camp Israel and Weasua in western Liberia. The Ministry of Lands, Mines and Energy reported that serious production continues only in the Bong and Nimba areas.

Diamonds in Nimba: "Jungle Waters" at Ganplehye Creek

Diamond production has increased in Nimba county recently because of the conflict in Lofa and Bong counties. This has resulted in brokers looking for safer areas to sponsor. The lack of access to commercial markets for agricultural produce (owing to poor roads, high transport costs and looting and taxation by security forces) has also encouraged an expansion of small-scale artisanal mining in Nimba. There are two types of mining in Nimba: licensed and unlicensed. Most prospecting and mining is unlicensed. The Nimba County Mining Office estimated that only between 5 and 10 per cent of mining is licit. Most diamonds are smuggled across the border to Guinea and sold to dealers there, after which they become classified as of Guinean provenance.

If miners find a profitable area in Nimba they do try to obtain a licence but this can be unsuccessful as local officials exploit the situation, often handing over the claim to senior officials who mine the area instead.

A recent example is the dispute over diamond claim 4a at Ganplehye Creek in Gbarpa town between Emmanuel Gbor, a local businessman, and Floyd Tomah. Tomah, known better as "Jungle Waters", is a registered diamond broker and well-connected. "Jungle Waters" moved in to take over claim 4a in mid-2002 following a series of good finds, including a four-carat diamond. This resulted in a legal dispute that was settled out of court late in September as a lengthy legal dispute would draw attention to the investors behind "Jungle Waters" — senior officials from the Executive Mansion in Monrovia.

Although the dispute has been settled out of court, there is continued tension in Gbarpa town. When the Panel of Experts visited the area and visited several claims, local miners and claim owners complained that "all of the mining rules are violated when men come with guns".

II. Smuggling continues to neighbouring States

130. Liberian rough diamonds continue to be smuggled to neighbouring countries although the war in Lofa has contributed to a decline in quantity and quality for the time being. The Ministry of Lands, Mines and Energy reported that it knows of regular smuggling to Sierra Leone, Guinea, Côte d'Ivoire and the Gambia. The Panel has spoken to dealers in Sierra Leone and Abidjan who confirm that they continue to receive rough diamonds of Liberian origin, although the supply and quality is reduced from that of 2001.

131. In September, the Panel interviewed former RUF General Ibrahim Balde (also known as Bah) at length about his involvement in the Liberian diamond trade. Balde, a Senegalese national, had played a prominent role in the diamond trade in Monrovia up to the time of his departure from Liberia in June 2001. Bah described how the Director of the Special Security Service, Benjamin Yeaten, played a critical role in liaison with RUF and how Balde worked closely with Samih Ossailly, a Sierra Leone-born Lebanese, and Ali Darwish, a Lebanese based in Boston.

132. Balde confirmed that the Hotel Boulevard was a nerve centre for this trade, that many senior governmental officials visited the Hotel on a regular basis to conduct diamond business and that governmental vehicles, including vehicles from the presidential mansion, picked up many of his fellow dealers.

133. Balde explained that many of the "mine boys" were Sierra Leoneans who had been with RUF but that getting seriously into the diamond trade was difficult for foreigners because all lucrative concessions were controlled by the political or security elite. "You need a senior security partner, otherwise you will die for those stones", Balde told the Panel. He had attempted to set up a diamond company, Greenstone Diamonds, in conjunction with Samih Ossailly to work on a Lofa concession controlled by a senior officer of the National Patriotic Front of Liberia.

III. Diamonds used as a cover for illicit imports of weapons

134. The Liberian diamond industry has once more been connected to arms and their transportation, in violation of United Nations sanctions. The air bills for two flights by the Lockheed in August 2002 describe the consignee as Astra Mining Company, Diamond Mine 3, Monrovia, Liberia, and the consignor as Minel Engineering, Belgrade. The overflight requests also refer to "mine drilling equipment". As documented above in part Two, this equipment was a consignment of weapons. The Ministry of Lands, Mines and Energy and the Liberian corporate registry have no record of the Astra Mining Company. Minel Engineering in Belgrade also confirmed to the Panel that it has never exported any mine drilling equipment to Liberia.

135. As reported in part Two above, a copy of an Ivorian end-user certificate turned up in a Belgian police investigation during a search of the premises of a diamond buyer who had been active in Liberia, as a partner of Ibrahim Balde (also known as Bah), late in 2000 and early in 2001. His activities at the Hotel Boulevard have been described in a previous report of the Panel (S/2002/470).

136. The document was found in an envelope, stamped by the Ivorian Ministry of Defence and addressed to Ambassador-at-large Mohamed Salame. Ambassador Salame, who carries a Liberian diplomatic passport, denied any involvement with the document or with any arms deals on behalf of the Liberian Government.

137. However, the circumstances under which a copy of this end-user certificate ended up with the Liberian Ambassador-at-large in Abidjan are an issue of some concern. The fact that this very copy was found in the apartment of a Lebanese diamond dealer who, in a deal with the Liberian Presidency, had a near monopoly to buy RUF-diamonds that were flowing into Monrovia until at least the first months of 2001 is also an important indicator that the end-user certificate may have been used for arms supplies to Liberia.

IV. Humanitarian impact of the diamond embargo

138. The Government of Liberia claims that there are between 60,000 to 100,000 miners in the alluvial diamond sector. The true figure is much lower. The Panel's consultant was unable to visit western diamond mining areas in Lofa county due to insecurity but did interview displaced miners from the region and travelled to Nimba and Bong county to inspect directly mining concession areas. The Panel concludes that governmental estimates are exaggerated and that the disruption of mining production in Lofa and Bong counties is linked to the armed conflict in the region rather than sanctions. Diamond production has been increasing in Nimba county in the light of its relative peace and economic marginalization, although the workforce turnover is high, owing to unfavourable labour conditions.

139. According to the Government, prior to sanctions most of the diamond dealers were non-Liberian and did not reinvest in the country. Mano River Resources Inc., based in the United Kingdom, is currently the only officially registered diamond mining company investing in kimberlite exploration. It has not been deterred by sanctions from investing in exploration but recently halted operations due to insecurity in its concession areas.

140. In Lofa, some artisanal mining claims were worked by Sierra Leoneans who were willing to work for lower wages than Liberian miners. Following the imposition of the United Nations diamond embargo, a number of these miners left the claims because their employers cut their wages and blamed sanctions for the reduction.

141. Many other Sierra Leoneans left these concessions in 2002 for reasons of insecurity. These Sierra Leoneans have been classified by UNHCR as "unassisted refugees", and therefore ineligible for relocation assistance. These miners, who have an average of four dependants, seek shelter in the refugee camps.

142. Following the imposition of the diamond embargo in May 2001, governmental officials, brokers and dealers have told miners that sanctions outlaw domestic production and they therefore cannot legally register miners. The Minister of Lands, Mines and Energy reported that a loss of revenue from the diamond sector has resulted in under-regulation of the mining sector. This has left many miners little recourse to labour and civil courts, and has increased their vulnerability to extortion and coercion.

143. The deflated economy and a subdued diamond market has resulted in claim holders and brokers reducing their input of equipment, food and health services to miners. Gbarpa in Nimba has no clinic and its miners were suffering from malnourishment, malaria, muscle pain and strains, rheumatism, arthritis and a limited number of job-related accidents.

V. Kimberley Process Certification Scheme

144. The Kimberley Process Certification Scheme for trade in rough diamonds will be launched at a meeting in Switzerland on 5 November 2002. The underlying certification scheme has been developed over the past two years in the context of the Kimberley Process, which involves 35 Governments, the European Union and the diamond industry and civil society in setting up minimum acceptable international standards for national certification schemes relating to the trade in rough diamonds.

145. The Scheme is basically an export and import control regime. Producer countries will control the production and transport of rough diamonds. Shipments of rough diamonds will be sealed in tamper-resistant containers and a Kimberley Process certificate issued for each shipment. Re-exporting countries will ensure that only rough diamonds that have a Kimberley Process certificate enter the chain of transactions from import to export. Imports of rough diamonds not accompanied by a Kimberley Process certificate issued by a Process participant will be banned.

A. Sierra Leone and Guinea

146. Sierra Leone and Guinea already have fully functional Kimberley Process certificate-of-origin schemes. Both countries report improvements in the volume and quality passing through their systems since May 2002. In Sierra Leone the Government reports that the system continues to work well. By June 2002, Sierra Leone had exported US$ 20 million worth of diamonds through the certification scheme and exports worth US$ 40 million are forecast for 2002. Since the elections in May, the quality has improved and the average is now $5 million per month.[7] Smuggling still accounts for over 50 per cent of the trade and the Government Gold and Diamond Office estimated that total production is currently worth around US$ 100 million per annum. Much of the smuggling is organized by Gambians, Senegalese and Malians and there continue to be serious leakages through the Gambia and Guinea.

147. Tightening of demands for certification schemes by the Belgian authorities has encouraged a number of known, long-standing diamond smugglers to legalize their transactions by requesting certification. The Belgium authorities have experienced a few difficulties involving five certificates of origin from Sierra Leone. This represents less than 2 per cent of certificates issued (325 by June 2002) and diamonds valued at US$ 81,391.52 (559.70 carats). There have also been a couple of cases in which certificates have been sent from Sierra Leone with no diamond package attached.

148. Although the United Kingdom and Switzerland provide their diamond import figures automatically to Sierra Leone, Belgium does this only on request. The United Kingdom reported that, for 2001 and up to May 2002, it had imported from Sierra Leone 1,042 carats, worth US$ 640,704.

149. Guinea also reported that, between January and July 2002, it had issued 115 certificates attached to packages containing 352,759 carats (worth US$ 18,293,294), which were exported through 11 registered companies.

B. The Gambia and the Kimberley Process

150. The Panel has reported (see S/2000/1195, S/2001/1015 and S/2002/470) on the so-called "Gambian" diamonds. The Gambia is a non-producing country but remains a nerve centre for diamond smuggling in West Africa. The Governments of Liberia, Sierra Leone and Guinea complained to the Panel about the amount of leakage that they suspected passed through Banjul. The Panel also knows that prominent individuals in the Liberian diamond trade have relocated themselves to the Gambia.

151. The Gambia is seeking inclusion in the Kimberley Process. The country is not a diamond-producing location and should not be able to issue its own certificates of origin, since this would potentially weaken the system. It could, however, become a regulated transit country.

C. Liberia

152. Limited progress has been made in establishing a credible diamond certification system since the Panel submitted its previous report (S/2002/470). Reluctance by the responsible Minister to delegate responsibility for this important task has contributed to the delay. Minister Dunbar blames the Security Council's travel ban for his inability to travel, resulting in the lack of progress in setting up a certification scheme. The Panel is aware that a member of the Security Council Committee on Liberia discouraged the High Diamond Council in Antwerp to hold a dialogue about certification with Minister Dunbar while he was in Belgium in January 2002. This interference appears to have been overcome: although Minister Dunbar still requires permission from the Security Council Committee to travel, his staff are fully competent and do not fall under any travel restriction.

153. The Minister of Lands, Mines and Energy has remained in electronic contact about assistance for setting up a credible certification system with the Director for International Affairs of the High Diamond Council in Antwerp. This has produced a draft of a plan of action.

154. The plan of action is a start. It suggests that the first step should be a neutral, objective production assessment by an international diamond mining or geological consultancy company of international repute. The purpose of this should be to identify only those diamonds that have been produced from Liberian soil. The Panel has continued to be told of stockpiles of diamonds of Sierra Leonean origin in Liberia and these should not be laundered through the Liberian certificate of origin scheme.

155. A second step recommended by the plan of action is for a credible organizational system for small-scale diamond miners. This would include a detailed survey of who produces which type of diamond, and where. This road map recommends that participants that produce diamonds and have rebel groups suspected of mining diamonds within their territories are encouraged to identify the areas of rebel diamond mining activity and to provide this information to all other participants. This recommendation is not practical. The Liberian conflict is fluid and it would be easy to launder conflict diamonds through this system. Diamonds only from clearly defined and independently verified localities should at present be considered for entry once a credible system is established.

156. The plan of action also contains a third section, on certification, which outlines the minimum requirements that are needed for certification so as to ensure compatibility with the Kimberley Process. The Ministry of Lands, Mines and Energy has allocated two empty rooms in its building to house any future certification scheme and has been in touch with a South African bank about obtaining venture capital that would help to establish a diamond board responsible for informing major markets that Liberian diamonds are for sale. The intention is to hold a weekly auction. This will be only possible once a credible certification scheme is in place.

VI. Recommendation

157. Liberia should finalize a credible plan of action on how to create a conducive context for the introduction of a credible certification of origin scheme. Liberia will need international support in setting up a credible scheme.

Part Five
Revenue and governmental expenditure

I. Background

158. The Panel continued to investigate how the Government of Liberia funds its arms procurement. President Taylor announced in December 2001 that the budget for the fiscal year 2001/2002 forecast expenditure of US$ 92 million. According to the Government and the International Monetary Fund (IMF), spending on defence takes up over one half of income and *The Economist* Intelligence Unit stated that domestic efforts to increase tax revenue would be stepped up in order to equip and pay troops and that, since nearly all income was used for military operations, little would be allocated to government departments for normal expenditure. The Unit concluded that the budget announced in December 2001 was now more or less irrelevant. Military procurement by Liberia is illegal under United Nations sanctions.

159. The Liberian economy is in crisis. Real gross domestic product is expected to contract in 2002 because of the disruption to economic activity caused by the war. This compares with an average annual growth rate of over 20 per cent in the period 1997-2000, when the economy rebounded from the 1989-1996 civil war. Although official exports grew in 2001 over those of 2000, this was mainly because of increased rubber production. The spread of the war has impacted upon rubber, timber and diamond production. Timber, rubber, maritime and taxation of imports remain the key sources of revenue generation in Liberia. According to the Forestry Development Authority, 75 per cent of timber concessions are currently inactive. However, a few major timber companies, such as the Oriental Timber Company, dominate the timber industry and they remain active.

160. The recent introduction of a new tax code aimed at expanding the revenue base has resulted in increased receipts in some areas. The telecommunications company Lone Star has recently paid a windfall tax of US$ 8 million. However, tax revenue has fallen as a whole because of the war. The Central Bank of Liberia reports that revenue from the last quarter of 2001 was 43 per cent lower than in the same period of 2000. Figures for the first six months of 2002 from the Ministry of Finance suggest this trend continued; customs brought in only US$ 3.2 million, and cash income from forestry amounted to only US$ 151,500. Clearly, these figures do not include off-budget payments. It is evident that, in 2002, expenditure will continue to outstrip revenue and this deficit will be funded by short-term tax increases, corporate and maritime funds and opaque off-budget transactions, especially from the timber industry, as has been seen in the past (see S/2002/470).

161. This tight fiscal squeeze has resulted in a reduction in official governmental expenditure. The Central Bank of Liberia reported that development expenditure for the period January-February 2002 was limited to US$ 157,142 while "special commitments", referring to expenditure controlled by the President, was US$ 894,285.

A. Humanitarian impact

162. The number of Liberians dependent on food aid has continued to rise since the end of 2001. The IMF article IV consultation, published on 18 July 2002, reports that income per head, estimated in 2001 at US$ 188, is now one third of that in 1989, before the civil war began. According to the consolidated inter-agency appeal for Liberia for 2003, 80 per cent of the population lives below the poverty line of US$ 1 per day with severe poverty estimated at 52 per cent. The rural areas are becoming poorer and the peri-urban areas of Monrovia have expanded to cater for a growing influx of internally displaced persons.

163. The decline in economic activity due to insecurity has also had a major impact. Agricultural production has declined. In 2001, the Ministry of Commerce and Industry reported only US$ 451,000 worth of cocoa production and US$ 26,400 worth of coffee production. In 2002, only US$ 15,300 of cocoa exports has been reported, although some cocoa is reported to be smuggled to Guinea from upper Lofa.

164. Imports have also significantly dropped. Port figures indicate a 30 per cent decline in trade in 2002, compared to 2001. According to BIVAC International, up to August 2002 freight on board (FOB) was valued at US$ 31,706,664 compared to the US$ 47,449,096 of FOB that entered into Liberia's ports during the same period in 2001. The business community reported an increase of extortion, leading some enterprises to limit their productivity in order to protect their assets.

165. Subsistence farming and other small-scale commercial activities are in many parts of Liberia severely disrupted by insecurity. The bushmeat trade, traditionally a source of subsistence for local communities, is increasingly being exploited commercially and exported, predominantly by government forces. This commercial trade operates outside governmental regulation and often with the complicity of senior governmental officials.

166. The Liberian dollar depreciated 14 per cent against the United States dollar in 2001. The exchange rate fell further in 2002 by 30 per cent, to L$ 70 per US$ 1 in September (from L$ 46 per US$ 1 in December 2001). A shortage of United States currency, the rising growth in the money supply and opportunism by traders — rather than sanctions — have all contributed to this depreciation. The Liberian Government also requires most taxes to be paid in United States dollars while it pays salaries only in Liberian dollars. The shortages of United States currency have been exacerbated by the increased emigration of foreigners who take with them further United States dollars. According to the most recent IMF data, foreign reserves were US$ 700,000 in May 2002, suggesting that a recent announcement by the Central Bank of Liberia that it would inject US$ 2 million into the foreign exchange market is not credible.

167. The price of staple goods has continued to rise, mainly as a result of the depreciating exchange rate. Petrol reached L$ 285 per gallon in May before falling back to L$ 225 per gallon by August. The price of fuel has been a key concern of IMF, which demanded in its article IV consultations that a financial audit be done of the Liberia Petroleum Refining Corporation. Fuel is brokered by a single company for the Government of Liberia which has benefited from the relationship. A cartel of distributors then cater to the retail market before the fuel is subsequently sold at the pumps, sometimes for three times the cost.

168. Higher fuel prices have an impact on the delivery of and access to health services and affect the costs of commerce in general.

169. The price of rice has also jumped, contributing to a food crisis among the internally displaced and increased hardship for much of the Liberian population. In September 2002, rice was sold at a rate of approximately US$ 20 per bag, although the cost of imported rice is about US$ 12 per bag with some US$ 8 added at source, split between the Government and the importer. Although in 2002 the number of small importers of rice has increased to 14, accounting for 12.2 per cent of trade, the market is still dominated by two companies. To ease the current food crisis of the internally displaced, the Government of the Libyan Arab Jamahiriya delivered over 300,000 bags of rice to Liberia in September 2002.

170. Food security is affected by these de facto fuel and rice monopolies. With most of the production of food crops from the major agricultural region of the country disrupted by conflict, cheaper imports of rice could reduce the suffering of displaced populations. Agricultural production and exports of coffee, cocoa and palm oil have also declined, owing to taxation and the high transport costs resulting from increased fuel prices.

171. Unemployment is about 85 per cent of the population, according to the consolidated inter-agency appeal for 2003, and the informal economy is only able to absorb 30 per cent. The payment of civil servants has been erratic. In September 2002, the majority of civil servants were paid arrears for November/December 2001. Elite security force units are paid on a more regular basis but this has become increasingly unpredictable and has contributed to indiscipline. Arrears of civil service pay is especially affecting the economy of Monrovia, where the Government is the prime source of formal employment and humanitarian agencies are increasingly providing almost all social services.

International assistance: why is there so little aid?

Aid to Liberia declined long before sanctions were imposed. Late in 2001 development aid dropped further as the priority shifted back to humanitarian assistance for north-western Liberia. Donors are few. The United States of America has recently provided US$ 12 million for humanitarian support but also wants to expand its support for peace-building, educational outreach and capacity-building. The European Union is the main donor. It has allocated 25 million euros but has committed only 9 million euros to project activities.

Governmental ministries have not been successful in attracting direct assistance. The Ministry of Agriculture failed to attract donor support for a recovery project for the agricultural sector since the Ministry itself was so under-funded by central Government that it could not even pay the salaries of its staff.

Except for the International Committee of the Red Cross, all aid agencies interviewed by the Panel complained of severe funding constraints. Even local groups, such as the Christian Health Association of Liberia, complained that its international partners no longer wanted to provide assistance because of multiple cases of looting of the previous supplies sent.

B. Coping mechanisms

172. As reported by the Secretary-General to the Security Council in pursuance of paragraph 13 (a) of its resolution 1343 (2001), the Liberian population has developed coping mechanisms but these are currently under stress (see S/2001/939). The increase in the number of dependants that a single breadwinner is responsible for and the decline of non-market subsistence agriculture have contributed to this strain.

173. Financial remittances from overseas have also increased. While the Panel was not provided the financial data it requested from the Central Bank of Liberia, it did obtain figures from the private company Western Union, which is used by much of the population. There was a 70 per cent increase in the value of the United States dollar between 2000 and 2001, totalling US$ 36.51 million. By September 2002, this figure had risen to US$ 29.5 million.

II. Maritime and corporate registry

174. Liberia has the second largest maritime fleet in the world. In October 2002, Liberia had 1,715 ships with a gross tonnage of 53.9 million (28.8 million net) registered under its open registry (flag of convenience). According to the agent, the Liberian International Ship and Corporate Registry (LISCR), it has only lost around 30 vessels from the registry since the Panel documented how the Bureau of Maritime Affairs and its agent, LISCR, had been used as a cover and source of funds for arms and their transportation, in violation of United Nations sanctions (see S/2001/1015). LISCR believes these revelations have had a chilling effect on business and it has failed to pick up its share of new tonnage.

175. Funds from the Registry provide US$ 18 million a year for the Liberian Government. Tonnage tax alone for the first nine months of 2002 provided US$ 3,379,674 for Liberia.

176. The Panel has previously highlighted continued irregularities in the figures provided by the agent and the Ministry of Finance and the Central Bank of Liberia (see S/2002/470). New figures obtained by the Panel suggest that significant discrepancies continued into 2002, possibly because of the off-budget diversion of funds at source.

Table 3
Comparison of maritime remittances, 2001-2002
(United States dollars)

Month	*Ministry of Finance*	*Central Bank*
January-February 2001	3 242 090	387 272
March-April 2001	1 530 211	489 091
May-June 2001	2 545 237	1 198 181
July-August 2001	1 116 149	0
September-October 2001	1 003 581	3 356 363
November-December 2001	2 570 022	1 657 000
January-February 2002	2 682 096	2 488 000
Total	**13 312 386**	**9 576 907**
Discrepancy	**3 736 479**	

177. This inconsistency was also reported by IMF in its article IV consultation report, published in July 2002, in which it was reported that repeated payments from the shipping registry to the Government differed from collections at the Ministry of Finance by some US$ 2 million, possibly reflecting deduction at source by the Bureau of Maritime Affairs or timing differences in the transfer of funds from the offshore account.

178. The publication of the two reports of the Panel (S/2001/1015 and S/2002/470) and the concern expressed by IMF has heightened international attention on what happens to the funds generated by LISCR.

179. The Liberian Ministry of Finance acted quickly and, on 23 November 2001, announced that it would audit and ring-fence the shipping registry. On receipt of income from the registry, the Ministry of Finance would channel the funds through the Central Bank of Liberia and would segregate those funds for infrastructure, social, health and welfare development and support programmes that the Government announced.

180. As reported in S/2002/470, this was followed in December 2001 by a letter addressed by the Ministry of Finance to IMF, requesting assistance to set up a financial audit. IMF replied on 14 December 2001, welcoming the initiative but ruling that it was enterprise-specific and therefore outside the IMF mandate. The Ministry of Finance and LISCR then approached the anti-corruption non-governmental group Transparency International for assistance, but it too turned down the request. However, it recommended that the Ministry approach Crown Agents, a company based in the United Kingdom that specializes in port management, auditing and project management.

181. Serious negotiations with the Crown Agent Consultancy, Inc (the United States branch of Crown Agents) began in mid-July but by August had collapsed over the Liberian Government's insistence on a strict liability clause in any contract that it signed with Crown Agents. President Taylor played a prominent role in the failed negotiations.

182. On 7 August 2002, the Government of Liberia presented to the Security Council Committee on Liberia a lengthy dossier on the measures that it had taken to enhance transparency in the management and disbursement of the maritime and forestry revenues. This dossier included correspondence stating that 90 per cent of maritime and corporate proceeds now were to be transferred to a centralized revenue account of the Government of Liberia Tax Account at the Central Bank following an instruction letter dated 4 June 2002 to the Bureau of Maritime Affairs from the Ministry of Finance. The remaining 10 per cent would be transferred to the Bureau of Maritime Affairs for its running costs.

183. The Panel had called for the consolidation of these funds into one governmental account and welcomes this development. The Panel, however, despite various requests to the Government, was not provided with the figures that would enable it to assess independently whether there is reconciliation of what the agent remits and what is recorded by the Central Bank. LISCR, the agent, provided the Panel with all figures it requested, but a comparison by the Panel was not possible without the cooperation of the Government.

Auditing maritime revenue

184. On 24 September, the Government announced that first-stage bids for auditing maritime and forestry were confirmed from Deloitte & Touche, Ernst and Young and KPMG. The ceremony was attended by representatives of the European Union and the United States Embassy in Liberia, both of which confirmed to the Panel that they had been caught by surprise and were given no prior notice of the initiative. According to a bid procedure document from the Central Bank of Liberia, all proposals were to be submitted to the Ministry of Finance by 25 September 2002 and the proposals were to be opened officially on 26 September. This was contradicted by the Government on 25 September, when it stated that Messrs. Deloitte & Touche had been the most responsive to the invitation, and had been invited to Monrovia for negotiations and the awarding of the contract to commence the management and systems audit.

185. These negotiations were concluded while the Panel was present in Monrovia and Panel members were invited to the official press conference. The Government of Liberia signed an agreement on 27 September 2002 with the firm Deloitte & Touche for a management audit and systems design aimed at capturing and tracking the revenues and expenditure of proceeds derived from maritime and forestry activities. According to officials involved in the process, Deloitte & Touche won because of its lower cost bid.

186. The Panel has obtained a copy of the terms of reference and work plan (see annex VII) and compared it with the draft submitted by Crown Agent Consultancy, Inc. Although the Deloitte & Touche contract will cover forestry revenues, its terms of reference are narrower — avoiding any retrospective analysis with which their findings might be compared. The process will have three stages, starting with a management and systems audit/assessment commencing on 7 October 2002 and lasting 15 days. This will be followed by the development of a new framework (15 days) and then a 90-day monitoring period. At the completion of each phase, it is expected that the consultant will submit a written report to the Government of Liberia.

187. In accordance with the terms of reference, all working papers are the property of the Government of Liberia and neither it nor the findings can be discussed with or provided to any third party without the prior approval of the client. The Panel urges that, for the credibility of this process, these documents be published and made widely available, including on the web site of the agent, LISCR. The Panel also attempted to talk to Deloitte & Touche about its Liberian contract but found its staff uncooperative.

188. The Panel is concerned with what will happen after the 120-day contract expires. Whichever system is implemented, it will continue to require regular, independent scrutiny if it is to be credible.

III. Logging

189. In its previous reports (S/2001/1015 and S/2002/470), the Panel examined the timber industry and documented in one case how it had provided funds for weapons. Logging activities in 2002 continue to be one of the few areas of revenue growth,

although the war in Lofa county had badly affected timber production. Because of the seasonal rains during the reporting period, logging production has been low.

190. According to the most recent figures of the Central Bank of Liberia, round logs valued at US$ 59.5 million were exported from Liberia in 2001. By March 2002, log exports were officially accounted at US$ 4,674,000. Sawn timber only figured at US$ 510,000. The Panel in the past has reported the irregularity of figures from the timber industry. In September, the Liberian non-governmental organization, Save My Future Foundation, published a comparative analysis of timber production and timber assessed revenue from 1997 to 2001, which showed a massive discrepancy for a massive number of round logs unaccounted for.

191. A comparison of the export figures of the Central Bank of Liberia with the figures of the Forestry Development Authority indicate a significant discrepancy of US$ 6 million in 2000 and US$ 19,610,000 in 2001.

Table 4
Discrepancy in timber export figures, 2000 and 2001

	Central Bank of Liberia		*Forestry Development Authority*	
Year	*Round log exports (in cubic metres)*	*Freight on board value (in United States dollars)*	*Round log exports (in cubic metres)*	*Freight on board value (in United States dollars)*
2000	578 721.000	59 500 000.00	637 400.750	67 505 473.49
2001	557 314.000	60 273 000.00	773 612.660	79 883 926.76

192. The Forestry Development Authority was last audited by the Auditor General in 1994. The strategic importance of logging continues to be shown by the fact that the Authority remains outside the centralized revenue account of the Government of Liberia Tax Account at the Central Bank. This is despite instructions issued by the Central Bank of Liberia and the Ministry of Finance in June 2002 and contrary to the information provided by the Government to the Security Council Committee on Liberia. The consolidation of this timber revenue into one government account was also a recommendation of the Panel (see S/2002/470) and a request by IMF on a regular basis, most recently after the conclusion of its article IV consultations in 2002.

Auditing timber and other revenue

193. Forestry was to have fallen under a management and systems audit funded by the European Union following negotiations in December 2001 under article 96 of the Cotonou Agreement. However, little progress has been made to date in moving ahead with this plan.

194. This was to be an independent management and administrative audit of selected governmental and parastatal institutions, the aim of which was to establish proper management, transparency and accountability in the public sector. A draft of the terms of reference for this audit was submitted to the Government of Liberia early in 2002. After a long delay, it was sent back to the European Union office in Monrovia in July and the response of the Government forwarded to Brussels. Despite the official claim of the Government of Liberia to have reached agreement

with the European Union in respect of underwriting the costs of financial audits of the Bureau of Maritime Affairs, the Forestry Development Authority and the Liberian Petroleum Refining Company, there has actually been little progress made.

IV. Conclusion and recommendation

195. Although the European Union was caught by surprise by the announcement of the maritime and logging management and systems audit/assessment, the Panel expresses its hope that the Liberian authorities will now seriously enter negotiations with the European Union and other interested donors about a longer-term financial audit of these key accounts.

196. The Panel recommends that the Government publish all of the results of the maritime and logging management and systems audit and, once this has been completed, follow up with an 18-month full financial audit by a credible international audit firm.

Part Six
Travel ban

I. The travel ban

197. Individuals on the travel ban list continued to ask about the grounds that caused them to be placed on the list and how they could appeal. The Panel received reports of errors in the list and has sent a communication to the Security Council Committee on Liberia, recommending a number of corrections.

198. The Panel believes that the travel ban continues to be violated and has continued to receive reports of individuals named on the list being sighted in North America, Europe, the Middle East and Africa. As reported in S/2001/1015 and S/2002/470, sightings of Liberian officials at Abidjan airport have continued and the local authorities appear to be relaxed about enforcing the ban. With the start in September 2002 of Air Ivoire flights to Monrovia, Abidjan will be even more accessible for passengers from Liberia.

199. The Panel is also aware of at least one case in which law-enforcement agencies from several members of the Security Council Committee encouraged a named individual to travel, in violation of the ban. This sort of activity complicates the efforts of the Panel to monitor violations.

200. The question of deliberately falsified Liberian regular and diplomatic passports was discussed in S/2002/470. This continues to be an area of concern for the Panel, and the Liberian Government refused to supply the Panel with a list of all diplomatic passports issued, on "security grounds". The Government of Liberia has not confirmed or denied that it issued the false passports published by the Panel in the annex to S/2002/470.

II. Humanitarian impact

201. The travel ban is targeted at a small number of individuals and has not had a wider humanitarian impact. The Panel has reported that about US$ 400,000 may have been saved per month by the restriction on travel (see S/2002/470). The Government did not provide the Panel with updated figures, but called these savings "opportunistic costs". The Chairman of the National People's Party, Cyril Allen, claimed that over the past year the Party had saved roughly US$ 200,000 because of the ban and that this had contributed to party officials' focusing more of their efforts on Liberia.

202. The Government claimed that the travel ban was a serious impediment in its fulfilling its international obligations. The Panel asked the Foreign Minister and the Inter-Ministerial Task Force on Sanctions to provide a list of key bilateral and multilateral opportunities missed as a result of the travel ban and how this rejection had impacted on the humanitarian welfare of Liberians. No list was provided, although the Panel does believe that there are some meetings that Liberian officials should have attended, such as an important UNDP meeting held at Geneva early in 2002, in which the former Minister of Planning would have participated.

203. In many cases, the Government does have the option of sending other ministry representatives not named on the ban but this rarely happens.

204. The Panel has been told of a number of cases of individuals who claim that their health has suffered because their application for waivers of the ban for purposes of medical treatment was turned down. The Panel does not have the expertise to assess this type of information, which would require a lengthy process of verification of medical records.

Notes

[1] The Panel was assisted by a consultant, Kathi Austin, in studying the potential humanitarian, economic and social impact on the Liberian population of the measures imposed by paragraphs 5 to 7 of resolution 1343 (2001).

[2] In Montserrado county: VOA, Zwanna, Ricks, Jartondo, Wilson and Sergbeh camps; in Bong county: Cari 1 and Cari 2 camps; in Nimba county: Ganta camp; and in Bassa country: Buchanna camp.

[3] Samukai, Zwanna and VOA.

[4] Redemption Hospital, Phebe Hospital, Ganta Hospital, OTC Hospital, Buchanan Hospital and Sanniguellie Hospital.

[5] Mars Diamonds Inc., Empire Diamonds and Diandorra Inc.

[6] Alhaji Abdullai Coulabaly, Diversified Group of Companies, Kafala Mala, Floyd Tomah (Jungle Waters) and Albert Nahngbeh.

[7] In 2002, there were 30 licensed national diamond exporters, 9 non-citizen exporters and 22 exporter agents.

Annex I

Letter of appointment of the Panel of Experts

Letter dated 17 July 2002 from the Secretary-General addressed to the President of the Security Council*

I have the honour to refer to Security Council resolution 1408 (2002) of 6 May 2002 concerning Liberia. In paragraph 16 of the resolution, the Council requested me to establish, in consultation with the Security Council Committee established pursuant to resolution 1343 (2001), a panel of experts consisting of no more than five members, for a period of three months, to conduct a follow-up assessment mission to Liberia and neighbouring States, in order to investigate and compile a report on the Government of Liberia's compliance with the demands contained in subparagraphs 2 (a) to (d) of resolution 1343 (2001); on the potential economic, humanitarian and social impact on the Liberian population of the measures imposed by paragraphs 5 to 7 of resolution 1343 (2001); and on any violations of those measures, including any involving rebel movements.

Accordingly, I wish to inform you that, taking into account the requirements set out in resolution 1408 (2002), including that I draw, as much as possible and as appropriate, on the expertise of the members of the panel of experts established pursuant to resolution 1343 (2001), I have appointed the following four experts:

1. Mr. Atabou Bodian (Senegal, expert from the International Civil Aviation Organization)
2. Mr. Johan Peleman (Belgium, expert on arms and transportation)
3. Mr. Harjit Singh Sandhu (India, expert with Interpol investigative experience)
4. Mr. Alex Vines (United Kingdom of Great Britain and Northern Ireland, expert on diamonds)

I should be grateful if you would bring this information to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

* Previously issued under the symbol S/2002/774.

Annex II

Meetings and consultations

Belgium

High Diamond Council (Hoge Raad voor Diamant)
European Commission
Federal Police, Antwerp (Diamond Section)
International Peace Information Service

Burkina Faso

Government
Ministry of Foreign Affairs
Ministry of Transport
Ministry of Defence

Diplomatic, bilateral and multilateral agencies
Belgium
Canada
Denmark
European Union
France
Germany
Netherlands
United States of America
UNDP

Congo (Republic of)

Ministry of Foreign Affairs
Ministry of Transport
Civil Aviation Authority
ASECNA
UNDP
Honorary Consul, Netherlands

Côte d'Ivoire

Private sector
Air Inter-Ivoire
Hotel Sofitel
Frank Kovassi Fran "Le Front"
Mohammed Salame, Ambassador at Large (Liberia)

Diplomatic, bilateral and multilateral agencies
Subregional Bureau of Interpol
UNDP
United Kingdom of Great Britain and Northern Ireland

France

One Panel member visited Interpol headquarters at Lyon to consult specialized officers in different crime areas

Discussions were also held with the Defence Attaché at the Paris Embassy of Nigeria

Ghana

Government
Ministry of Foreign Affairs
Civil Aviation Authority
Customs Directorate
National Police

Diplomatic, bilateral and multilateral agencies
UNDP

Guinea

Government
Ministry of Foreign Affairs
Ministry of Mines
Ministry of Defence
Civil Aviation Authority
Air Navigation Agency
National Police

Diplomatic, bilateral and multilateral agencies
Office of Roberts Flight Information Region (FIR)
UNDP

Lebanon

Government
Attorney General
Director General of the Lebanese Internal Security Forces
Interpol Beirut

Private sector
Mr. Aziz Nassour

Diplomatic, bilateral and multilateral agencies
UNDP

Liberia

Government
Central Bank of Liberia
Forestry Development Authority
Ministry of Foreign Affairs
Ministry of Lands, Mines and Energy
Ministry of Planning and Economic Affairs
Ministry of Transport

Ministry of Defence
Ministry of Justice
Ministry of Agriculture
Ministry of Finance, Bureau of Customs and Excise
Ministry of Gender
National Labour Court
National Port Authority
National Security Agency
Roberts International Airport
Task Force on compliance with resolution 1343 (2001)
ATU (three officers interviewed)
AFL General Stanley Clinton "Sweet Candy", Area Commander, Tubmanburg
General Benjamin Yeaten, Joint Chief of Staff

Private sector
BIVAC International
DENCO Shipping Lines Inc.
Diandora Diamonds
Lion Diamonds
Evergreen Trading Corporation
JETCO
Liberian Bank for Development and Investment
Liberian Timber Association
Lonestar Communications Corp.
Oriental Timber Corporation
MAERSK Liberia Ltd.
Mano River Resources Inc.
Mobil Oil Liberia Inc.
Mr. Aubrey Bertrand
Mr. Paul Bristol
Mr. Talal El N'Dine
Mr. Victor Hannig
National Printers
Royal Hotel (Mr. Ezzat Eid)
Tradevco Bank
UMARCO (Liberia)
WEASUA Airlines
Western Union

Diplomatic, bilateral and multilateral agencies
ECHO
European Union
France
FAO
Ghana
Sierra Leone
United Kingdom
United States of America
OCHA Liberia
UNDP
UNOL

UNHCR Liberia
UNICEF Liberia
UNREC
USAID (United States of America and Liberia)
WHO (Liberia)
World Food Programme (Liberia)

Civil society
Action contre la faim
Association of Female Lawyers of Liberia
Amnesty International (Liberia)
Caritas Internationalis
Catholic Justice and Peace Commission
Catholic Relief Service
Centre for Democratic Empowerment
Centre for Law and Human Rights Education
Centre for the Protection of Human Rights
Christian Health Association of Liberia
Civil Rights Association of Liberian Lawyers
Conservation International (Liberia)
EQUIP Liberia
Fauna and Flora International
Focus (a child rights advocacy organization)
Ford Foundation
International Committee of the Red Cross
Inter-faith Mediation Committee
Justice and Peace Commission
Liberia Civil and Human Rights Alliances
Liberia Democracy Resource Centre
Liberia Democracy Watch
Liberia Human Rights Observer
Liberian Interfaith Council
Liberia Institute of Journalism
Liberia Prison Watch
Liberian Refugee, Repatriation and Resettlement Commission
Mano River Women Peace Network
MSF Belgium
MSF France
MSF Switzerland
National Human Rights Centre of Liberia
Norwegian Red Cross
Norwegian Refugee Council
Oxfam
Phebe Hospital and School of Nursing
Prisoners Assistance Programme
Research and Documentation Centre on Human Rights
Rural Human Rights Activists Programme
Save My Future (SAMFU) Foundation
Save the Children
Swiss Agency for Development and Cooperation
Susuku

Lutheran World Federation
Archbishop of Monrovia
United Methodist Committee on Relief
United Methodist Church
University for Peace
West African Women's Association, Liberia Chapter
World Vision Liberia

Media
BBC
Radio Kergeamahn staff in Gompa City, Nimba County
Reuters
Talking Drum
The Inquirer
The News
West Africa

Others
Liberian Peoples Party
National Peoples Party
Camps for internally displaced persons (a large number of internally displaced persons)
Refugee camps (a large number of refugees)
Former combatants
Child soldiers
Business community (a large number of businessmen)
Mining industry (a large number of miners and mining agents)
Mr. Jala Kamara, Mandingo representative
Wife and father-in-law of Sam "Mosquito" Bockarie

Moldova

Government
Ministry of Foreign Affairs
Civil Aviation Authority

Private
Aerocom
Renan
Tiramavia Ltd.

Nigeria

ECOWAS secretariat
Ministry of Foreign Affairs
Ministry of Defence
Ministry of Transport
UNDP officials at Abuja

Senegal

Government
Ministry of Foreign Affairs
Ministry of the Interior

Civil Aviation Authority
Port Authority of Dakar
Directorate of Customs
National Police
General Directorate National Security

Private
Alfa Shipping Ltd.
SAFRET

Sierra Leone

Government
Ministry of Foreign Affairs
Ministry of Mineral Resources
Ministry of Justice
Airports Authority
Government Gold and Diamond Office
Sierra Leone Police (several agencies)
Sierra Leone Army

Private sector
Mackie Diamonds
Rex Diamonds

Diplomatic, bilateral and multilateral agencies
Special Representative of the Secretary-General of the United Nations
UNAMSIL (a wide range of officers and officials)
United Nations Volunteers
United Kingdom of Great Britain and Northern Ireland
United States of America

Civil society
Human Rights Watch
Civil Defence Force (Kamajor) leaders
International Crisis Group

Media
BBC

Togo

Africa West (airline company)
ASECNA
Civil Aviation Authority
National Police
Ministry of the Interior
UNDP

Uganda

Directorate of Civil Aviation
Military Intelligence

Ukraine

AEROTECH, Kiev

United Kingdom of Great Britain and Northern Ireland

Government
Foreign and Commonwealth Office

Diplomatic, bilateral and multilateral agencies
IMO

Civil society
Amnesty International
Global Witness
International Alert
Human Rights Watch
Royal Institute of International Affairs

Media
Africa Confidential
Economist Intelligence Unit
BBC

Commercial
Deloitte & Touche
Crown Agents
KPMG
Aircraft Registration Bureau

United States of America

Government
Department of State

Private sector
LISCR

Diplomatic, bilateral and multilateral agencies
International Monetary Fund (IMF)
United Nations:
- Department of Political Affairs, United Nations Secretariat
- Office for the Coordination of Humanitarian Affairs, United Nations Secretariat
- UNDP Bureau for Crisis Prevention and Recovery

Permanent Missions to the United Nations:
- Liberia
- Ukraine
- United States of America

Civil society
Conservation International
Human Rights Watch

Yugoslavia

Government
Ministry of Foreign Affairs
Ministry of Defence

Private sector
Minel Engineering
Interjug AS
TEMEX
MDO Systems, Trading Company for Special Purpose Merchandise

Other

LURD rebels
ULIMO-K
Crews of the Lockheed and Ilyushin aircraft involved in arms shipments to Liberia
Ms. Lisa Misol (Human Rights Watch)
Mr. James Nixey (Royal Institute of International Affairs)
Mr. Douglas Farah (*The Washington Post*)
Mr. James Brabazon (freelance journalist)
EuroControl, Flight Data Operations Division

Notes

A number of individuals played a key part in some of the events noted in this report. The Panel expresses its appreciation to those who agreed to be interviewed. Given, however, the sensitive nature of the subjects being investigated by the Panel, many individuals spoke under conditions of confidentiality. Several interviewees have therefore not been listed.

Annex III

Double document trail: an example of different flight requests for the same aircraft for 27 and 28 June, one showing Lagos as the destination, the other showing the real destination, Roberts International Airport

```
ZCZC YDA017 241042
FF GOOYYAYX
241040 UKKKCPFX
FROM: ATS/PLANNING AND PROVIDING CENTRE
      SITA:IEVCPXH AFTN:UKKKCPFX E-MAIL:AEROTECH2UKR.NET
      FAX:0038-044-236-99-19 TEL:38-044-243-56-10

SUBJ:REQ O/F PERM

OPRT: A/CO..AEROCOM..-MCC: MOLDOVA
ADDRESS:MD 2008:REP MOLDOVA:MUN.CHISINAU: ST.31 AUGUST 129
TYPE: IL-76 REG:ER-IBE /ACFTS EQUIPED ACAS -II SYSTEM/
CREW: 10 PIC:ZININ ALL ARE UKRAINIAN
PURP: TRANSPORT GENERAL CARGO/FERRY FLT

SKED:
27 JUN'02 MCC9062 ETD/HLLT1000 ETA/GLRB1620
28 JUN'02 MCC9061 ETD/GLRB0400 ETA/HLLT1220

ROUTE - VIA ATC ROUTES AND CURRENT NOTAMS

B.RGDS/AEROTECH OPS
```

```
12062 DFCA YU
12373 SITA YU
ZCZC 2275 241043JUN02
QU BEGOMYA BEGHAXH
.IEVCPXH 241031 JUN 2002
SUBJ: REQ LAND PERM

FROM: ATS/PLANNING AND PROVIDING CENTRE
      SITA:IEVCPXH AFTN:UKKKCPFX E-MAIL:AEROTECH2UKR.NET
      FAX:0038-044-236-99-19 TEL:38-044-243-56-10

SUBJ:REQ O/F AND LAND PERM

OPRT: A/CO..AEROCOM..-MCC, MOLDOVA
ADDRESS:MD 2008,REP MOLDOVA,MUN.CHISINAU, ST.31 AUGUST 129
TYPE: IL-76 REG:ER-IBE /ACFTS EQUIPED ACAS -II SYSTEM/
CREW: 10 PIC:ZININ, ALL ARE UKRAINIAN
CNOR: TENEX COMPANY, TAKOVSKA 49A, BELGRADE, YUGOSLAVIA
CNEE: MINISTRY OF DEFENSE , NIGERIA
CARGO:45 TNS OF MIL GOODS ON ROUTE :: LYBE- DNMM

SKED:
27 JUN'02 MCC9061 ETD/UKLI0830 ETA/LYBE1000 / FERRY EMPTY FLT
27 JUN'02 MCC9062 ETD/LYBE1600 ETA/HLLT1900 - TECH LAND
28 JUN'02 MCC9061 ETD/HLLT1000 ETA/LKPD1300 / FERRY EMPTY FLT

ROUTE - VIA NATS ROUTES AND CURRENT NOTAMS

B.RGDS/AEROTECH OPS
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Annex IV.A

Double document trail: cargo manifest for one of the arms flights, stamped in Lagos by the fictitious company, Aruna Import

CARGO MANIFEST

ICAO Annex 9
Appendix 2

Prevoznik: Operator:

Avion: LOCKHEED 1011-100. Broj linije: Datum 22.08.2002.
Aircraft: (registration and type) Flight no: Date:

Aerodrom ukrcavanja BELGRADE - BEG - Aerodrom iskrcavanja: LAGOS - LOS

Point of loading : (airport and country) Point of unloading (airport and country)

Broj tovarnog lista Air Waybill number	Br. kolata No. of packages	Vrsta robe Nature of goods	Samo za upotrebu prevozioca For use by operator only			Samo za službenu upotrebu For official use only
			Posebna roba Special cargo	Bruto težina Gross weight	Odredište Destination	
417-20202208	986	TECHNICAL EQUIPMENT		38.881	LOS	
TOTAL:	986			38.881		

ARUNA IMPORT CO. LAGOS

FEDERAL REPUBLIC OF NIGERIA Federal Government Ministry of Defence

AIRPORT LAGOS AEROPORT

Međunarodna špedicija Interjug-As BEOGRAD (7) POSLOVNICA SURČIN

Sastavio Ljubomir Milinkovic
Prepared by

NOTOC
☐ STORE/VLIEGTUIG BEVEED

Strana Page 1 Od Of 1 Pages

☐ NIE TOEPASBAAR/NOT APPLICABLE

Annex IV.B

Double document trail: fuel bill that the Panel received from the crew

Mobil Oil LIBERIA Inc.

AVIATION DELIVERY RECEIPT No. 88381

P.O. Box 342
MONROVIA, LIBERIA

(LETTERHEAD OF MOBIL MARKET)

CUSTOMER NAME

ADDRESS PHOENIX FUEL CORP.

DATE AUGUST 23, 2002

AIRPORT R I A

AIRCRAFT	TYPE L1011-TRISTAR	REGISTRATION	
	ARRIVED FROM DELGRADE	GOING TO	
TIME	ARRIVED 00:50	REFUELING COMMENCED 01:00	REFUELING COMPLETED 03:20

CONTRACT NO.	
CARNET NO.	EXP. DATE
ISSUED BY	

QUANTITIES (EXPRESS UNITS APPLICABLE)

DELIVERIES

PRODUCT		GRADE OF PRODUCT	BATCH NO.	ENGINE NO./VOLUME 1	2	3	4	TOTAL VOLUME
FUEL	MOBIL	JET A-1	03/02			[illegible]		16044 US
OIL						[illegible]	X	
WATER	METHANOL							
	DEMINERALIZED							
OTHER PRODUCTS								
								16044 US

METER READING

EQUIPMENT NO.	R-1						TOTAL
CLOSING READING	456	5600					
OPENING READING	454	9556					
DIFFERENCE	2	16044					

CUSTOMS CERTIFICATION		MOBIL RELEASE CERTIFICATE
OK	[signature]	Certified that the fuel described hereon conforms to the Relative Specification and has been subjected to the Quality Control Procedure as laid down in the Mobil Aviation Products Quality Protection Manual.

REMARKS: FLIGHT NUMBER –
ON ACCOUNT OF PHOENIX FUEL CORPORATION
(US) C/O. EXXONMOBIL (17AA) LEATHERHEAD. UK

[signature] CAPT

Annex V

Forged copy of a letter, allegedly from the Ministry of Defence of Nigeria, authenticating that Nigeria is the end-user

FEDERAL REPUBLIC OF NIGERIA
FEDERAL GOVERNMENT
MINISTRY OF DEFENCE

Ship House
Central Area, Abuja
Tel. +234-9-2340534

Strictly Confidential!

Item No. 119-091/02

To:
Ministry of Defence
Federal Republic of Yugoslavia

SUMMARY

Through our contacts with the Finding Investment Company (FIC), which is engaged in importing for the needs of our government, we have gathered information about causes that led to incident which occured on the Belgrade airport on Tuesday, July 16th, when the airplane IL-76TD (ER-IBE) has been impounded by the Yugoslav authorities. The plane was engaged to transfer merchandise for the Nigerian government. We understand that the action was initiated by misinformation that the merchandise that was supossed to be delivered to Nigerian government actualy went to the third party.
Our contact in FIC has also informed us that Your government has issued request for the verification of whereabouts of particular merchandise. We find that such request is highly inapropriate in relations between two countries. On the other hand, we are interested in our continuing and prosperous cooperation in this field, and we will try to meet those requests to the certain point.
In the previous two month period of our cooperation with FIC, we have obtained several shipments of merchandise. Following is the list of the particular shipments and the items contained:

Date of Shipment	Items:	Pcs.
1. June 1st, 2002.	Automatic rifle 7,62x39 mm	1.000
	Ammunition 7,62x39mm M67	498.960
	Hand grenades M75	2.000
2. June 7th, 2002.	Automatic rifle 7,62x39 mm	1.000
	Ammunition 7,62x39mm M67	1.260.000
	Hand grenades M75	2.496
3. June 29th, 2002	Automatic rifle 7,62x39 mm	1.500
	Ammunition 7,62x39mm M67	1.165.500

4.	July 5th, 2002.	Missile launcher RB M57	100
		Mine for RB M57	4.500
		Automatic pistol M84, 7,65 mm	60
		Pistol CZ 99, 9 mm para	20
		Black Arrow Long Range Rifle M93 12,7 mm	10
		Machine gun M84 7,62 mm	5
		Ammunition 7,62 mm for M84	120.000
		Ammunition 9 mm NATO	11.250
		Ammunition 7,65 mm	75.000

Stated items are intended exclusive for the activities of the Army and Police forces of Federal republic of Nigeria.

With the sincere hope that this may clear any possible doubts that occur on your side,
We wish you all the best.

By the authorisation of
General Theophilus Yakubu Danjuma
Minister of Defence

Alhaji Lawal Batagarawa
Minister of State (Army)

КАБИНЕТ МИНИСТРА
Бр. 1373-1
БЕОГРАД

Annex VI

Copy of an Ivorian end-user certificate with the list of weapons identical to the one used by Leonid Minin and Aviatrend for shipments to Liberia in 2000

TERR D'ETAT
TERR DE LA DEFENSE
LA PROTECTION CIVILE

REPUBLIQUE DE COTE D'IVOIRE
Union – Discipline – Travail

LE MINISTRE

0092

Abidjan, le 29 JAN 2001

AUTORISATION POUR LIVRAISON

Nous, son Excellence Monsieur LIDA Kouassi Moïse, Ministre d'Etat, re de la Défense et de la Protection Civile de la République de Côte e autorisons la Compagnie NATACO HOLDING PLC BULGARIA de ... la remise des articles ci-dessous désignés :

DESIGNATION	QUANTITE
Ammunition 7,62 x 39	5000 000
Thermal Image Weapon (NSPU 1)	20
PG7-0G7 Grenades	1000
Ammunition 9 x 19 mm	1000 000
Grenades for AGS-17	1000
GP Kastyor Launcher	80
[illegible] "ammo" for DA 9mm PARA	2000
RPG-7	200
Sniper Gun 7,62 x 54 mm	50
Ammunition 7,62 x 54	5000
AK-47 Assault rifle	10500
PK/mc	200
Ammunition PI Ams	2000 000
60 mm	50
Rounds for 60 mm	1000
Ammunition 76.7 x 39 mm Ball	5000 000
Grenade launcher M 93 30 mm	50
30 mm Bombs for M 93 Launcher	10 000
Thermal Image Binoculars	20
Thermal Image Weapon Sights	20
RPG-26 Launcher or M80 Launcher	50
Grenades for RPG-26 or M 80	500

- PG-OG7 Grenade	1000
- Ammunition 9 x 19 mm Parabellum	1000 000
- AGS-17 Grenade Launcher	50
- Gronades for AGS-17	1000
- Night Vision Monocular	50
- GP-"Kastyor" Launcher	80
- 45 Pistol or CZ, 99 9 mm Para Pistol	2000
- RPG-7	200
- Sniper rifle cal. 12,7 mm	50
- Ammunition 2 cal 112,7	50
- Sniper rifle cal 7,9 mm	5000
- Ammunition cal 7,9 mm	50
- Ammunition Cal 7,92	5000
- Sniper Rifle cal 7,62 x 54	70
Ammunition cal 7,62 x 54 mm	50 000
- AK-47 Assault Rifle	10 500
- PKMS 7,62 machine gun	200
- Amunition for PKMS- 7,62 54	2000 000
- Pallard	2000
- 40 mm Gronade for Pallard	10 000
- 60 mm	50
- Rounds for 60 MM	1000

Nous, certifions que nos articles sont exclusivement commandés pour utilisation et emploi sur le territoire Ivoirien et en aucun cas pour exportation dans un pays tiers

Le Ministre d'Etat
LIDA KOUASSI Moïse

Annex VII

Terms of reference for the management audit and systems design of maritime and forestry revenues

PROPOSED TERMS OF REFERENCE FOR A MANAGEMENT AUDIT

INTRODUCTION

The Government of Liberia, desirous of ensuring transparency, credibility and integrity in the receipt and disbursement of proceeds emanating from the Maritime Office and the Forestry Development Agency, has decided to commission a Management Audit of all the receipts and disbursements of proceeds from these programs.

OBJECTIVE

This Management Audit will involve an examination of the system of recording and accounting for receipts and the cash expenditure of these receipts. The Audit will involve the expression of opinion relating to whether:

a. Adequate, reliable and verifiable systems exist for the timely, comprehensive and accurate recording and reporting of all receipts of the Maritime and Forestry Program;

b. Adequate, reliable and verifiable systems exist for the timely, comprehensive and accurate recording and reporting of the expenditures, which are incurred from the proceeds of these programs.

c. All relevant legislation have been complied with.

To ensure the existence of the above, the management audit will encompass an assessment of the internal controls associated with the receipts and disbursements. Internal control, in this context, is designed to provide reasonable assurance that the following objectives have been achieved:

a. Reliability and accuracy of the accounting function.

b. Reliability of financial reporting relating to the Receipts and Cash Expenditure; and

c. Compliance with applicable laws and regulations.

Internal control is designed to provide reasonable assurance that:

(1) Receipt and Disbursement transactions are properly recorded and accounted for to:

i. Permit the preparation of reliable Statements of Receipts and Cash Expenditure.

ii. Maintain accountability over receipts and disbursements incurred from these receipts;

iii. Demonstrate compliance with laws, regulations and other legal requirements;

(2) Funds are safeguarded against loss from unauthorized use or disposition.

PHASE 1 ASSESSMENT PHASE:

SCOPE OF WORK: The Management Audit shall comprise the following:

This phase will comprise the following:

1. A review of applicable and existing legislation regarding the generation of funds from maritime and forestry activities.
2. A review of operating system and procedures relating to the receipt, recording, banking and disbursement of these funds.

Expected Output

At the end of this review phase, the Audit should identify and describe strengths, weaknesses, opportunities and threats to the efficient and effective operations of the Funds Flow Program and make recommendations as regards the redesign of the system to make it more relevant and purposeful.

PHASE II: RECOMMENDATIONS FOR A NEW FRAMEWORK

Upon completion of the systems and management audit, the Auditors shall design and instal an appropriate accounting system to enhance the efficiency, reliability and transparency of the system.

PHASE III: MONITORING PHASE

Scope of audit.

Upon the installation of the new system of accounting for Receipts and Cash Expenditure of Maritime and FDA funds, there will follow a period of monitoring the new system to ensure that it accomplishes its task effectively.

a. **General.** The audit shall be conducted in accordance with internationally recognized standards for such focused management and systems audit. The audit shall cover the monitoring of the entire proceeds generated by the institutions and the disbursement of same during the next three to six months as may be agreed between the FDA and Maritime Authorities and any other relevant body such as the Central Bank.

b. **Financial statements.** The auditor shall determine whether the Statements of Receipts and Disbursement of Funds of the Maritime and Forestry Programs respectively are presented fairly in all material respects in conformity with internationally accepted standards.

c. **Internal control.**

i. The auditor shall perform whatever procedures are necessary to obtain an understanding of the internal controls over the flow of funds through the various coordinating institutions.

(i) The auditor shall determine whether the Receipts and Payments have complied with laws, regulations, and the provisions of contracts or agreements.

(ii) The compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance.

e. Audit reporting.

The auditor's report(s) may be in the form of either combined or separate reports. The auditor's report(s) shall state that the audit was conducted in accordance with the terms of reference and include the following.

(a) An opinion (or disclaimer of opinion) as to whether the Receipts and Disbursement of Funds Statements are presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion [or disclaimer of opinion] as to whether the schedule of expenditures is complete and fairly presented in all material respects

(b) A report on internal control related to the Receipts and Disbursements Statements of the Maritime and FDA programs. This report shall describe the scope of testing of internal control and the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs.

(c) A report on compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements. This report shall also include an opinion [or disclaimer of opinion] as to whether the institutions complied with laws, regulations, and the provisions of contracts or agreements.

Audit findings.

a. Audit findings reported. The auditor shall report the following as audit findings in a schedule of findings and questioned costs:

(1) Reportable conditions in internal control in the Funds Flow program. The auditor's determination of whether a deficiency in internal control is a reportable condition. The auditor shall identify reportable conditions, which are individually or cumulatively material weaknesses.

(2) Material noncompliance with the provisions of laws, regulations, contracts, or agreements related to an institutional program.

b. Audit finding detail. Audit findings shall be presented in sufficient detail for the institution to prepare a corrective action plan and take corrective action.

Working papers.

(a) Confidentiality. The working papers are the property of the Government of Liberia and neither they, nor the findings can be discussed with or provided to any third party without the prior approval of the client.

(b) **Retention of working papers.** The auditor shall retain working papers and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the appointing authority, unless the auditor is notified in writing to extend the retention period. When the auditor is aware that the management of the Programs or to destruction of the working papers and reports.

(c) **Access to working papers.** Audit working papers shall be made available upon request to the client for audit or its designee, a Government agency providing direct or indirect funding, or the General Audit Office (GAO) at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of the audit. Access to working papers includes the right of Government agencies to obtain copies of working papers, as is reasonable and necessary.