



SHARP



Liberia Oil Palm Sector- Outgrower Models

Consultative Workshop Summary Report

Venue : Palm Spring Resort, Congo Town, Monrovia- Liberia

Date: Wednesday& Thursday, June 11 -12, 2014

Executive Summary

GROW and SHARP share the vision of the Government of Liberia and the Private Sector Companies that outgrower oil palm development in Liberia has the potential to deliver substantial benefits to the local population in particular and the country at large, if undertaken and implemented following the right processes. SHARP and GROW provided technical support and convened a consultative workshop to facilitate the process of seeking opinions of all relevant stakeholders on a number of outgrower models. The two-day workshop was attended by 40 participants representing the key institutions and stakeholders in the oil palm sector in Liberia. The institutions included the Government of Liberia, the Oil Palm Concession holders, social and environmental non-governmental organizations working in Liberia, civil society organizations and Financial Institutions.

Dr. Sizi Subah, Deputy Agriculture Minister on behalf of the Ministry of Agriculture set the tone for the workshop with a thought provoking keynote address. He emphasized the importance of the outgrower program to the development and stability of the Oil Palm sector in rural Liberia and cautioned stakeholders to support the process with constructive ideas. This with the objective to contribute to the process of developing realistic and practical models that are also adapted to the Liberian context. He emphasized the need to consider the cultural preferences for oil palm cultivators in Liberia and support the country to guarantee food security to its people through the outgrower schemes. SHARP then recounted the history of the consultation process to date, which began with a stakeholders' workshop in November 2012 and was followed-up with bilateral discussions with relevant stakeholders in December 2013. This stakeholder consultation workshop, specifically on models and issues such as risks, responsibilities, benefit flows, and financing associated with a Liberian outgrower scheme, constituted the next step in this 18-month ongoing process.

The two-day workshop carried important discussions and constructive feedback on what needs to be thought through when designing outgrower models. During the workshop, five models were presented and it was discussed which of the five could be appropriate and improved to be practical for the Liberian context. The model that proved most popular with stakeholders during the workshop as a preferred option for Liberia, were the models containing a phased approach in which the company would initially develop and manage a farm, and where the management responsibility would be progressively transferred to the community. This because it was felt that the technical and managerial capacities among the prospective farmer population was currently still insufficient. While all four oil palm companies stated clearly that third party financing is absolutely fundamental and a requirement in order for them to engage with outgrower development, the crucial issue of financing opportunities and requirements was not fully addressed during the workshop. Some stakeholders expressed that commercial loans will remain difficult to access in Liberia, and more effort and resources should be spent seeking concessionary loans from Development Finance Institutions (DFI). Few alternatives to the financing question outside of this sentiment were expressed. The current absence of third party funders to support a community of outgrowers to establish farms requires further consideration among stakeholders¹.

Missing in the discussions were the viewpoints of community representatives and environmental impact of the models. Stakeholders, including the companies and government, agreed that it will be crucial to involve the communities in the process of finalizing the applicable model(s), and to overlay

¹ Please note as part of another component of the SHARP programme, SHARP is looking into the issues of access to finance for smallholders in the palm oil sector. In this context, SHARP is organizing a workshop in Ghana, Accra, scheduled for July 2014. Interested parties can contact SHARP (info@sharp-partnership.org) directly.

the model(s) with environmental considerations. Participants generally found the workshop useful for detailing information on various outgrower model options and were very pleased to have the opportunity to discuss them and provide inputs.

REPORT OUTLINE

1.0 BACKGROUND INFORMATION

2.0 OBJECTIVES

3.0 WORKSHOP ARRANGEMENT

3.1 Organizers

3.2 Participants Organisations

3.3 Structure of Workshop

4.0 REPORT OF WORKSHOP DISCUSSIONS

ANNEXES

Workshop Agenda

List of Participants

1.0 BACKGROUND INFORMATION

The oil palm sector in Liberia is rapidly expanding. To contribute to the stability in Liberia, the Government of Liberia has signed concession agreements with several oil palm companies. According to the concession agreements, companies are required to develop and implement smallholder outgrower schemes. SHARP and GROW have a shared objective to influence the development of viable and sustainable smallholder outgrower models for the palm oil sector. Of key importance to both organisations is that the models are discussed among specialists in the sectors, that strengths and weaknesses of models are brought out, and that alternative suggestions are available for known key issues. For example, third party financing to support outgrower and farm establishment, including the Government of Liberia, is presently unavailable.

As a result, there remains significant uncertainty towards outgrower development in the palm oil sector. The oil palm companies in Liberia are finding it extremely challenging to develop an outgrower model that is not only commercially viable for them and for outgrowers themselves, but also sustainable, and appropriate and practical for the Liberian context.

1.1. SHARP: Process to date

The **Smallholder Acceleration and REDD+ Programme (SHARP)** organized a stakeholders' workshop in November 2012 in Monrovia, Liberia. The aim was to bring relevant stakeholders with outgrower interests to the table to share experiences on diverse outgrower models globally, identify challenges and constraints to outgrower development, and discuss key considerations that should be included as components of an appropriate outgrower model for Liberia.

Main outcomes of November 2012 stakeholder workshop

1. There was general consensus that outgrower oil palm development has the potential to deliver great benefits to the economy and people of Liberia, if done following the right processes.
2. Several actions and issues were identified as needing to be in place to allow for effective outgrower development. As such, an action plan was developed, which included timelines and responsible parties.
3. Potential options to include in outgrower models were also discussed. The group identified key components of models, some of which include:
 - **Land ownership**–Land ownership by the communities is crucial. However other options may also be possible, depending on the conditions for financing and/or decisions made by communities.
 - **Outgrower plantation management** – Plantation managed by both the company and/or the outgrowers would be possible.
 - **Financing** – Companies should support outgrower development financially, however there is a great need for third party financing.
 - **Organisation of outgrowers** – Organisation of outgrowers can be an effective and efficient way for empowering communities and managing plantations, however it will be important to ensure this process follows customary/ traditional systems
 - **Livelihoods** – Integration of community livelihoods may be considered in these models

Following this, SHARP returned in December 2013 to have follow up bilateral discussions with relevant stakeholders in Liberia. The purpose of these discussions was to follow up on the process that commenced in 2012, to understand any updates on issues related to outgrower development from the perspective of the different stakeholders, and to identify where further support and guidance is needed for companies in relation to outgrower development.

Key outcomes: Based on bilateral discussions with different stakeholders, it was clear that the following was needed:

1. Scenarios of outgrower models that are relevant and practical for Liberia
2. Good practice guidance for companies on the implementation of the outgrower model(s) once identified

1.2. GROW: process to date

Since late 2013, GROW, an initiative funded by the Swedish Government to develop markets for the benefit of the poverty reduction and increasing stability in Liberia, has started engaging various

stakeholders within Liberia's Oil Palm sector on the development of commercially sustainable smallholder/outgrower models, as their absence presently prevents finance and investment flowing into the proposed outgrower segment..

Between January and May 2014, SHARP and GROW have been working on the development of several scenarios of outgrower models that can be relevant and practical for the Liberian context. To 1) explain the process of developing the 5 scenarios of outgrower models and 2) seek further input from relevant stakeholder on which of these scenarios are deemed most appropriate, a 2 day stakeholder workshop was organized on 11th and 12th of June in Monrovia. This report further presents summary of activities undertaken during this two - day workshop.

2.0 OBJECTIVES

The objectives of the workshop were to:

- Provide an overview of the process to date in Liberia with regards to sustainable outgrower development
- Present different scenarios for outgrower models adapted for the context of Liberia
- Receive input on the different proposed outgrower model options from key stakeholders
- Brainstorm best practice considerations when implementing outgrower models
- Discuss challenges regarding the financing mechanisms for outgrower models in Liberia

3.0 WORKSHOP ARRANGEMENT

3.1 Participants Organisations

The workshop was attended by 40 participants representing the following institutions:

1. Government of Liberia
2. Oil Palm Concession holders
3. Social and environmental Non-Governmental Organizations in Liberia
4. Civil society organizations and
5. Financial Institutions

For more details on the workshop participation, please find the attendance sheet in annex one.

3.2 Structure of workshop

The workshop ran over two days - June 11 - 12, 2014 on the presentation and discussion of five (5) scenarios of outgrower models developed for Liberia.

4.0 REPORT OF WORKSHOP DISCUSSIONS

The workshop began with a keynote address from Dr. Sizi Subah, Deputy Agriculture Minister, on behalf of the Ministry of Agriculture. Among other things, he stressed the importance of the outgrower program to the development and stability dynamics of the Oil Palm sector; hence the need to develop an appropriate outgrower model that speaks to both poverty reduction and stability enhancement.

His address was followed by the individual introduction of participants and a summary of their respective expectations from the workshop. An analysis from the list of expectations indicated by the participants suggests that outgrower model(s) should be socially and environmentally responsible and acceptable, technically feasible, and commercially viable and fundable. Participants also expected to learn from other outgrower models being implemented globally in the sector, particularly how the technical capacities of communities were strengthened.

4.1 Presentations and discussions

Following the opening of the workshop objectives, and by means of giving background to the day's presentations and discussions, Pavithra of Proforest (hosting the SHARP Secretariat) provided an overview of the process to date in the context of outgrower development in Liberia, and subsequently described the main categories of outgrower models that exist globally, and the key elements/ parameters that should feature in all outgrower models, such as land ownership, land management, selection process and financing mechanisms.

The elements/parameters against which the models were described attracted discussions on the following issues:

Issues:

1. Who owns the land?
2. What is the difference between community and individual ownership of land?
3. What is a community in Liberia? Is it a household, family, quarter, town, clan, chiefdom, or district?
4. At what level of the community should negotiation take place for community land?
5. How will benefits be shared within the community?
6. What is the structure of the community?
7. How to avoid elite capture within communities?

Responses to issues raised:

1. Community generally owns the land, however there are also rare situations where individuals can also own land.
2. Individuals are part of the community and do not own land. The majority of land belong to the community.
3. Community hierarchy in Liberia is as follows: Family quarter → Town → Clan → Chiefdom → District → State district → County
4. Company can engage with communities at any level, including at the individual or household level.

- If companies seek to engage at the household level, it is considered to be very challenging and require substantially more resources. In addition to this, if engaging at the household level, every family will require clear boundaries which may result in conflicts during the definition process. However, if negotiation is kept at a higher level (e.g. Clan level), then boundaries at the clan level can be more easily identified when compared to the family level.
- 5. Companies can channel support from other organizations to individual farmers (e.g. through cooperatives)
- 6. Committee may be formed and mandated by a community to negotiate with company
 - Cooperative arrangement may be necessary to ensure community involvement
- 7. Concession should develop MoUs with communities. Community hierarchy decides who within the community shall be smallholders.

After these discussions, 5 outgrower model options were presented, which have been developed based on previous conversations with stakeholders and the organizations' understanding of the challenges faced in Liberia. For each of the models, presentation included: (1) descriptions of the key features and parameters; (2) the structure and relationship between the main stakeholder groups; and (3) the pros and cons.

Models 1 and 2 were presented by a representative of SHARP, models 3 and 4 by a representative of GROW, and model 5 by Timoty Savoure, a researcher collaborating with GVL in Sinoe County. The following model options were ultimately presented and discussed during the workshop:

Model 1: Independent Community Outgrower scheme: Under this model, the community fully develops and manages the plantation and takes care of training and assumes all financial risks. *Please refer to the presentation attached for more details about the model.*

Key issues arising from the discussion are summarized below:

Issues:

- The model is a very empowering option for the community if it (community) has the technical expertise and financial resources to develop and manage the plantation
- Model is not applicable to Liberia now given the lack of technical capacities and financial resources of communities in general where outgrower schemes are to be implemented.
- Government financial support is crucial for such a model to be implemented as company or third party financing would likely not be an option given the capacity weaknesses and the management responsibilities lying solely with the communities.

Model 2: Supported Cooperative scheme: This is a three phased approach to an outgrower scheme. Under this scheme, the community establishes a cooperative and the community selects location of the farms and the individuals/ families who will be farmers in the outgrower scheme. These individuals/ families join the cooperative. In phase one, the company (concessionaire) develops and manages the plantation, and raises the technical and organizational capacity of both the cooperative and the farmers. In this phase, the cooperative seeks concessional loans from DFIs, which is guaranteed by the company. Phase two shifts to a joint management structure between the cooperative and company until the costs of establishment are fully repaid. In Phase three, the farm would be fully managed by the cooperative. *Please refer to the presentation attached for more details about the model.* Issues arising from this model discussion are summarized below:

Issues:

- The land that could be used for the outgrower scheme is considered as community land and as such its allocation to individual members of the community will be a challenge.
- This model will lead to individual empowerment which could lead to economic differentiation within the community. Economic differentiation is a concern with regards to outgrower development as community members who are part of the outgrower scheme would be benefiting more than those community members who are not part of the outgrower scheme. In addition to this, the potential issue with regards to elite capture also needs to be taken into consideration as this may result more directly to economic differentiation between the different members of the community.
- Cooperatives – the structure of cooperatives is extremely important in delivering effectiveness and efficiency of outgrower development. Company should provide guidance to farmer organizations or cooperatives by: (1) helping farmers to be organized; (2) building farmer capacities to deal with finances; (3) providing technical training and making expertise available.
- It may be easier to approach this model through farmer-based organizations first and then overtime through cooperatives. Farmer-based organizations, which follow less formal systems, are more easily formed and run.
- Given the lack of financial capacity of the communities where outgrower schemes could be implemented, the cooperative will require a third party (DFIs, Financial institutions, etc.) funder or concessionary loan. A third party funder is currently unavailable in Liberia.
- Development financing is a more favored option for Liberia in the short-run. It would need government support to access concessionary loans and grants.
- Community must be informed of the total cost of developing the land to minimize unrealistic expectations.
- Model could be enhanced with an emphasis on cost recovery rather than loan repayment

Model 3: Joint Venture scheme: This outgrower scheme involves the community establishing a joint venture with the company (private partner) whereby the company leases the land from the communities; establishes the farm and manages operations including training/capacity building of community. Benefits are shared as per the joint venture agreement. *Please refer to the presentation attached for more details about the model.* Issues arising from the discussion are summarized below.

Issues:

- Empowering and good skills transfer from company to community but potential unequal relationship between community and company. There is an inability by communities to contribute proportionately in terms of technical and financial capacities → often leads to disputes within the partnership
- Commercial financing is required because community may lack her financial contribution to the joint venture. This will be a challenge. Crop insurance may need to be considered

as not only a good option for outgrowers, but also a mechanism for lowering risk in Liberia.

- Required features of this model includes: (1) preferential employment from communities with clear terms of employment; (2) training and raising the capacity of communities.

Model 4: Community Private Partnership (CPP): This model is also a three phased approach to an outgrower scheme where the company (private partner) leases the land from the community and fully develops and manages a plantation assuming all financial risks in phase one; the established farm is then jointly managed by community and private partner as a joint venture in phase two once the company has recovered its initial investment costs and made a healthy return on investments; and, fully transitions to a community farm (company/cooperative) in phase three where the community effectively employs workers and manages profits from sales and therefore benefits locally. *Please refer to the presentation attached for more details about the model.* Issues arising from this model discussion are summarized below:

Issues:

- The concept of lease fees appears to be accepted in principle although some argue the actual payment should be foregone by the community as “their own contribution”.
- Companies clearly communicated that they are concerned with any model that makes it appear that the outgrower plantation is simply an ‘extended’ concession area (e.g. Models 3 & 4), even if it is for a short period of time, paying lease fees might give that impression.

Model 5: Community Outgrower Share Programme (COSP): This model is similar to model two in most aspects except that it considers community participation as compared to individual participation in model two. Additionally, in this model, community land is leased to the cooperative for oil palm development. The issues arising during the discussion of this model were similar to model two. It was presented by Timoty Savoure of Golden Veroleum Liberia (GVL)². Key issues arising from the discussion are summarized below.

Issues:

- The model transfers the financial (accumulated debts) risk to the smallholders at about year five
- Community (smallholders) will have to wait until the farm entity becomes profitable before revenue streams materialize.
- Model should consider compensation payment of crops
- Minimum land requirement should be 200 hectares for outgrower participation in order for it to be commercially viable.
- Model also require third party funding.

² The presentation of this model was done separately by Timoty, and thus not included as part of the SHARP/ GROW presentation materials. For further information about this model, please contact Timoty directly.

4.2 Key cross cutting issues and general comments arising from the models discussion

Key cross cutting issues and general comments arising from the models discussion (not in any specific order)

1. Community involvement. A bottom-up approach is required for developing outgrower models that are appropriate. Communities must be involved in deciding the type of outgrower scheme. More community engagement is required and must be done in a participatory manner, taking on board gender considerations. An important component of engagement involves being transparent with communities on the costs of farm establishment and management, which would provide a context for learning about their expectations of benefit/revenue streams.
2. At what level should negotiation with communities take place? There are several options: Option 1: Negotiate at level of family or town – but there will be much disagreement within the town, many different voices. Option 2: Negotiate at level of clan or chiefdom. This will avoid land disputes if there are clear boundaries at this level. Option 3: Begin with the town model because clans will cover too large an area, some outside of concession. Option 4: Community decides at which level they want to negotiate at.
3. Re-planting/ planting. This is an important issue with several implications:
 - Age of outgrowers: Outgrowers are relatively old, and can no longer work on plantations and undertake laborious work. A mechanism needs to be in place to deal with such circumstances, even at these early stages
 - Transfer of outgrower benefits to other interested parties: For those initially involved as outgrowers, a clear mechanism would need to be in place to allow for transfer of the roles to other interested parties after the first oil palm development cycle.
 - Investments and costs: If the farms end up as individually managed or community managed by the end of the productive life cycle of the tree stand, then they will bear the burden of organising and financing substantial investments. This would be challenging, particularly if the responsibility was at an individual level.
4. Transfer of technical capacity. All stakeholders, including government, will require significant investments into capacity building - technical, institutional, managerial/strategic, oversight, and so on. Who will do and pay for this under each of the different models?
 - Outgrowers/ communities: Heavy involvement by companies during the initial plantation management will be necessary in order to train and transfer technical skills such that good quality FFBs result.
 - Cooperatives: Companies and other institutions (e.g. Cooperative Development Agency) will need to be involved. Any building of community farm/cooperative capacity will require costing into the model.
5. Benefit-Sharing. Community development funds were considered a potentially effective way for ensuring benefits are distributed fairly amongst the different community groups. These funds will be more effectively managed if there is a

committee (composed of elected members from the community) overseeing the management, implementation and monitoring of these funds.

6. Minimum size viability. The minimum size of outgrower plots is certainly an important consideration, even at these early stages. The minimum economically viable outgrower plot size would be dictated by the funding source, but was identified by GVL at around 300ha.
7. Food security. Outgrower development needs to ensure that other livelihood needs are kept secure
8. Land ownership. Agreement that ownership is to be maintained with the communities.
9. Environmental considerations. Biodiversity, land use change, and net carbon impact considerations need to be incorporated into the outgrower models. This details were not presented at the workshop.
10. One model or two? Is it important to have more than one outgrower model for Liberia? Prioritization of an outgrower model may be required at these early stages. There is a concern that introducing two models concurrently may be too challenging and confusing for communities. Community management was generally proposed to be more appropriate for Liberia.

It should be noted that there was not an equal representation of the different stakeholder groups during these discussions. Some participants, particularly those from financial institutions and social NGOs, were not available. On the other hand, certain stakeholder groups were present in higher numbers when compared to other groups (eg. there were more representatives from Oil Palm Concession holders and other Oil Palm organizations. As such, conversations and outputs may have been heavily influenced by those present in the room.

4.3 General discussion around financing mechanism for outgrower models

It should be noted that during this time, only one financial institution remained in the group for discussion. This was unfortunate as it is perhaps one of the most significant matters for consultation and requires an informed cohort of contributors. Nevertheless, some of the issues arising from this discussion are summarized below:

- Commercial finance is hard to attract for the smallholder scheme as the context stands. Financially modeling the profitability of a plantation and the implications for different models discussed would put this into perspective.
- Development financing is an option, but time frame a concern in the palm oil sector. Attracting development finance requires demonstrating a strong business case, and risks and responsibilities involved in technical management.
- Sensitivity analysis must be done on the risks.
- Need to decide who will be the borrower. It was noted that it is difficult to loan funds to individuals.

- Government needs to consider how the money already allocated to the agriculture sector in Liberia can be channeled to the oil palm sector. Government is not necessarily the best placed to manage funds
- One option is to finance through the companies rather than farmer cooperatives at the early stage.
- Currently Maryland Oil Palm Plantations (MOPP) and African Development Bank (AfDB) have an agreement to invest in outgrower development. AfDB is to provide financing for the scheme by providing the loan directly to MOPP. The project is still in its negotiation stage and the exact model to be used has not been finalized.

The issue of access to financing for the implementation of the outgrower models was not addressed in detail and as such stakeholders called on decision makers to discuss further the possibility of DFI financing and alternatives to DFI financing to ensure that the first outgrower schemes can begin.

4.4 Next steps and closing Session

At the beginning of this session, Pavithra Ramani from Proforest (SHARP Secretariat) facilitated the session to draw out the agreed action points and next steps for the group. This included:

Agreed actions by workshop participants:

Action: Workshop report should be made available in time to the major stakeholders. It would be a helpful context for the Outgrower Scheme Steering Committee meeting. The report will be made available on the SHARP website (www.sharppartnership.org).

Action: Michael Titoe (MoA) is to share with workshop organizers the World Bank and MoA agreement on supporting outgrower development in Liberia.

Action: Workshop organizers are to begin liaising with Hon. Zinnah and the Steering Committee, keeping them informed with progress being made in relation to outgrower models. It is important that there is a common platform to discuss all issues related to outgrower development, and therefore the outcomes of this workshop should be fed into the parallel processes.

Appendix

Workshop agenda

Agenda Item	
Wednesday, June 11, 2014	
8:30	Workshop Registration and Breakfast
9:00	Welcome and Introductions Welcome Statement Opening Remarks by Government of Liberia Introduction: SHARP and GROW Participant Introduction
10:00	Review of Workshop Objectives Review workshop agenda Process to date Housekeeping rules
10:30	Coffee break
10:45	Outgrower Models: Overview of key parameters and possible options- Presentation and discussion
12:00	Lunch break
13:00	Proposed Outgrower Models for Liberia - Presentations and Q&A
14:30	Stakeholder discussion and feedback
17:00	Wrap up and close of day
Thursday, June 12, 2014	
8:30	Workshop Registration and Breakfast
9:00	Recap of Day One Outstanding questions
9:30	Implementation process for schemes: Good practice considerations for Liberia - presentation and discussion
11:00	Coffee break
11:15	Previous session continued
12:00	Lunch break
13:00	Financing outgrower schemes: Challenges and the way forward discussion
15:00	Closing and wrap up of workshop

List of Workshop Participants