COMMUNITY OIL PALM AND PRODUCTION PROTECTION WORKSHOP

Slides shared during the meeting on 18th and 19th April 2016 in Monrovia

FULL WORKSHOP REPORT CAN BE DOWNLOADED FROM www.landscapesinitiative.com
Day 1

Monrovia, 18th April 2016
Agenda today

9:45    Agenda and objectives
10:00   IDH program and priorities 2016
10:15   GROW progress to date, community needs assessment, next steps
10:30   Tea break
10:45   A. COP outgrower model(s) and criteria
        - Concession holder perspectives and priorities
        - Discussion on outgrower model key criteria
13:00 – 14:00 Lunch
14:00   Adding protection – FDA presentation
15:00   Working groups
        B. Process guide/ decision tree
        C. Organisation Structures and Capacities
16:30   Plenary presentation and discussion
17:30   Close for the day
Building on ...

- Concession agreements
- Sharp and Grow process
- Production protection

Community Outgrower and Protection Scheme
Objectives of the workshop

A. COP Outgrower model(s) conditions and criteria
B. Process guide/ decision tree
C. Organisation Structure and Capacities
D. Potential Financial & Risk- Sharing Structure for the Outgrower Schemes
E. 2016 Roadmap
   • Points that need to be researched by Grow consultant / otherwise
   • Next step actions
IDH

Daan Wensing
COP LIBERIA PROGRAM IN A NUTSHELL

1. Green Growth Plan
2. Production-Protection agreements
3. Risk sharing facility
4. Improved (food)crop production
5. Forest conservation

Grand Cape Mount, Bomi, Bong & Gbarpolu
Sinoe and Grand Kru
Visual example ...
Liberian Community Outgrower & Protection Scheme (COP)

These COP schemes refer to community-based Outgrower palm oil plantations directly linked to a protection agenda on related forested areas.

These plantations will be situated in on-concession areas selected by the Concession holder ("CH") and will be developed in agreement with the local communities and the existing concession agreements signed between the CH and the Government of Liberia ("GOL").
Production-Protection Agreements

1. Deal between community, government and company (on the basis of FPIC);
2. Directing investment in cash crop (example oil palm) in return for forest conservation;
3. Model for outgrowers needed to ensure community benefit sharing;
4. It is a loan, not a grant;
5. Strong monitoring needed.
Risks related to these agreements, that have been identified, include:

• Risk of communities signing agreement with limited understanding, eg. assuming liability for forest loss;

• Capture by elites (from within or outside the community) of benefits due to inadequate governance systems;

• Marginalization of others.

• Decreased production of food locally, with food security risks.
By supporting a solid process, IDH and its partners in delivering production-protection agreements seek to:

• Avoid failure of the COP scheme, when people choose to ignore (part of) the agreement
• Put in place a credible process, for and with stakeholders and potential investors.
• Avoid increased costs and project delays when conflicts arise.
• Meet international ESG standards.
Production: what is the model?
## Outgrower model considerations

<table>
<thead>
<tr>
<th>Element</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social eligibility and entitlement</td>
<td>Farmers (in group/co-op), labourers</td>
</tr>
<tr>
<td></td>
<td>1. Community / individual fully decide</td>
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<tr>
<td></td>
<td>2. Company fully decides</td>
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<td>3. Mixed decision – both company and community jointly decide</td>
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### Considerations:
COP scheme needs to benefit and engage the community;
It has been suggested to develop criteria for social eligibility, considering criteria related to:
- Members residing in the community;
- Including youth and women
- Palm oil ‘sweat equity’ and experience
Outgrower model considerations

<table>
<thead>
<tr>
<th>Element</th>
<th>Options</th>
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</thead>
</table>
| Land ownership and user rights | 1. Community has both **ownership** and **use rights**  
2. Community has **ownership** and **company leases** land from the community  
3. Community has ownership and cooperative has use rights / leases the land |

**Considerations:**
- Individual versus community land titles; plot size?  
- *Individual land titles were a strong incentive in other nations*  
- Controlling selling and speculation on outgrower land / shares?  
- Tenure (for how many years / cycles?)  
- Land ownership and use arrangement for the forests in protection agreement  
- Food security
Outgrower model considerations

<table>
<thead>
<tr>
<th>Element</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land management</td>
<td>1. Fully company managed</td>
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<td>2. Partial/mixed management</td>
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<td></td>
<td>3. Community management</td>
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<td>4. Cooperative management</td>
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Considerations:
It was suggested that:
- Could also consider a transition in management from company to cooperative, over time
Protection: what is the model?
Protection considerations

- Communities must want to do this development and be willing to sign and implement a PPA
- Suitable land available for development (non-HCS)
- Feasible distance from nucleus farm
- Minimum scale xx ha
- Sufficient conservation scope to allow for community to engage in meaningful conservation agreement
- Community needs to manage internal land allocation vs other farming
- Locations must have clear boundaries and no inter-community land conflict
Protection Governance

Public-Private-Community – Shared governance

- a negotiation process
- a co-management agreement (e.g. an agreement describing roles, responsibilities and expected benefits and contributions from different parties)
- a multi-party governance institution

Decision-making body representative of various constituencies (decision may or may not require consensus)

Body in charge of implementing decisions (may or may not be a multi-party)
COP Pilot Models

- continuous improvement of models may be important;

- there may be a need for more than one suitable model;

- consultation with communities will be extremely important, as local contexts differ from one place to another;

- development of a model is a key step, the implementation process is crucial;
Target

Between 2,000 - 4,000 hectares in 2016 of PPAs in GVL and SDPL areas;

Defining the road on how to get there is the target of this workshop.
GROW

Kelvin Doesieh

LTS team
A. COP outgrower model(s) and criteria

discussion
Working group introductions

B. *Process guide/ decision tree*

C. *Organisation Structures and Capacities*
Day 2

Monrovia, 19th April 2016
Agenda 19 April

9:00   Opening, recap day 1, ‘parking spaces’

09:45  Potential Financial & Risk-Sharing Structure

11:30  Tea break

11:45  WB landscape program and REDD+ complementarity

12:00  Conservation agreement experiences for Production protection

12:45  E. Roadmap to Nov. 2016

13:00 – 14:00 Lunch

14:00  Roadmap and conclusions (working groups)

    Optional: Small breakout group on investment criteria

15:30  Tea break

16:00  Commitment by stakeholders

16:30  Close for the day
Recap Day 1
### Topic A: Considerations for COP

<table>
<thead>
<tr>
<th>Element</th>
<th>Considerations</th>
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</table>
| **Land Management**              | • Commercial viability: Scale and location must be efficient.  
• Model where land management shifts from company to community cooperative over time seems preferred by company and community  
• Community land owners/users have opportunity to determine their level of investment and to increase this over time. |
| **Social eligibility and entitlement** | • Participation and benefits must be widespread so that community as a whole has a stake in the success of the COP. A community development fund could be an option.  
• Social eligibility criteria co-designed between community and concession holder,  
• Guidelines emphasizing community residents, participation of youth and women,  
• Locals/outsiders”, diaspora, absentee owners challenge |

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*The Sustainable Trade Initiative*
## Topic A: Considerations for COP (ctnd)

<table>
<thead>
<tr>
<th>Element</th>
<th>Considerations</th>
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</thead>
</table>
| **Land ownership and user rights**   | • Preference from communities for individual land titles  
• New land act – possibilities for individual land ownership?  
• Investors should have security of tenure – mitigation / governance structure when land act is leading to new land claims? |
# Risks/Challenges associated with COP model and Model 2 outgrower model

<table>
<thead>
<tr>
<th>Conservation risks</th>
<th>Community risks</th>
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<tbody>
<tr>
<td>• Community cannot control all forest users. (in and outside)</td>
<td>• Risk (real and perceived) of exploitation by company or elites.</td>
</tr>
<tr>
<td>• Not enough people benefitting to relieve pressure on forest</td>
<td>• Monopoly status of company.</td>
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<td>• Incomes, roads etc. from plantation increases deforestation.</td>
<td>• Conflict if some members in community become wealthy and others do not.</td>
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<td></td>
<td>• Farmers with small land cannot achieve income or food security.</td>
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<td></td>
<td>• Community liable for loan <strong>and</strong> for protection agreement.</td>
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<td></td>
<td>• Community level organization is difficult (e.g. coops).</td>
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<tr>
<td></td>
<td>• Ownership/rights not clear in law or practice.</td>
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</table>
## Potential Safeguards

<table>
<thead>
<tr>
<th>Conservation Safeguards</th>
<th>Community Safeguards</th>
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</thead>
<tbody>
<tr>
<td>• Fair and broad distribution of benefits.</td>
<td>• Fair and broad distribution of benefits.</td>
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<tr>
<td>• Incentives for outgrowers to meet conservation standards.</td>
<td>• Neutral broker to help resolve intra-community and community-company disagreements.</td>
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<tr>
<td>• Conservation “group” at local level to clarify area, means of protection etc.</td>
<td>• Local design of model/agreements with all parties involved.</td>
</tr>
<tr>
<td>• Community, company and government all working to monitor and uphold protection agreement.</td>
<td>• Long term support to building community structures (co-op, CDF, protection related groups)</td>
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<td></td>
<td>• Government and NGOs playing a stronger leadership role in defining/mediating roles and responsibilities.</td>
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</tbody>
</table>
## Working group B. Roadmap

<table>
<thead>
<tr>
<th>Theme</th>
<th>Activities</th>
<th>Timing</th>
<th>Principal</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Outgrower &amp; Protection Scheme</strong></td>
<td>1) Determine go/no go areas</td>
<td>April</td>
<td>Concession as implementation agent + advisor</td>
<td>MoA, NBC, IDH, NGO/CBO</td>
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<tr>
<td></td>
<td>2) Determine offer to community:</td>
<td>April-May</td>
<td>* provider of seedlings, etc., Communities as beneficiaries</td>
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<td></td>
<td>3) Engaging communities (FPIC)</td>
<td>April-November</td>
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<td>4) Develop agreed development plans</td>
<td>April-November</td>
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<td>5) Carry out SEIA</td>
<td>April-August</td>
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<td></td>
<td>6) Carry out HCVHCS assessment</td>
<td>April-August</td>
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<td>7) Use above to develop New Planting Procedure</td>
<td>August</td>
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<tr>
<td><strong>PPAs outside</strong></td>
<td>1) Engaging communities (FPIC)</td>
<td>April-November</td>
<td>GOI, NGO and Communities as beneficiaries</td>
<td>IDH, concessions</td>
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<tr>
<td></td>
<td>2) Determine offer to community:</td>
<td>April-November</td>
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<td><strong>Green Growth</strong></td>
<td>1) Based on trends, future predictions, CNA and interviews:</td>
<td>May-October</td>
<td>IDH</td>
<td>Concessions, GOI, communities, NGO/CBO</td>
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<td></td>
<td>develop scenario’s for Sustainable Development</td>
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<td>balancing People, Planet, Profit</td>
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<td>2) Consensus building on the</td>
<td>October-December</td>
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<tr>
<td><strong>Protection Governance</strong></td>
<td>1) Create legal entity communities (CFMBs)</td>
<td>April-August</td>
<td>GOI and community</td>
<td>NGO/CBO, concessions</td>
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<tr>
<td></td>
<td>2) Define roles and responsibilities in PPA</td>
<td>April-August</td>
<td>GOI, concessions, communities, IDH</td>
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<td>3) Develop legal framework for PPAs</td>
<td>April-June</td>
<td>FDA and EPA</td>
<td>MoA, concessions, communities</td>
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<tr>
<td></td>
<td>4) Create coordinating committee per pilot area</td>
<td>April-August</td>
<td>GOI, concessions, communities, IDH</td>
<td>NGO/CBO</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>1) Operational Model</td>
<td>April-June</td>
<td>GROV</td>
<td>Concessions, GOI, communities, NGO/CBO, IDH</td>
</tr>
<tr>
<td></td>
<td>2) Financial plan for CoP</td>
<td>April-June</td>
<td>GROV</td>
<td>Concessions, GOI, communities, NGO/CBO, IDH</td>
</tr>
<tr>
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<td>3) Sales Agreement Community-Concession</td>
<td>June-August</td>
<td>Concession, community, GOI</td>
<td>Ngo/CBO, GROV</td>
</tr>
<tr>
<td></td>
<td>4) Determine conditions for loan to Community/SPV</td>
<td>April-August</td>
<td>Concession, community, GOI</td>
<td>Ngo/CBO, GROV</td>
</tr>
<tr>
<td></td>
<td>5) Define investment criteria</td>
<td>April-August</td>
<td>IDH, GOI, FDIs</td>
<td>Concessions, GROV, NGO/CBO</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Transparant and based on dialogue from start to end, FPIC</td>
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**IDH**

the sustainable trade initiative

NICFI
C. Organisation and Governance Structures (and Capacities)

• COP needs to be designed, negotiated and agreed locally.
• National structure is important but role is to support & encourage the local process, not direct it.
• The local partnership should include community, company, government and NGO/CSOs (The Landscape Partnership)
• A neutral “broker” should support and facilitate the process.
• Communities need assistance with knowledge, skills and inputs (e.g. Technical Assistance from companies and from national/donor programs for agriculture, rural enterprise, cooperative formation etc.)
• Support, knowledge transfer etc. on conservation agreements is particularly required because this is a new requirement.
Bottom up design committee

- Small committee
  - Gvt (FDA, MoA?),
  - NGO (Social & environmental)
  - Concession holder
  - Cooperatives expert

- Stay in each pilot community to co-design with community, approach to:
  - Cooperative membership and management;
  - Community benefit sharing mechanism;
  - Production protection agreement set-up;
Parked issues

- Review to learn lessons from failure of past outgrower schemes
- Review of effective society/cooperative models applicable to COP.
- Targets: If the target for production is 2-4,000 ha. should a target for protected forest be set? At minimum of 1:1?
- What is geographical scope of COP and PPA? For communities and forest inside gross concession only or also outside.
Liberia Community Outgrower and Protection (‘COP’) Financing

Johnny Brom
Director, Innovative Finance
IDH’S ROLE IN INNOVATIVE FINANCING

EUR 50 million Blended Finance Partnership with FMO
Focus on smallholder farmer financing through the supply chain

Upstream supply chain financing schemes
Working with IFC, AfDB, ABN Amro on various upstream supply chain financing schemes in Africa and SE Asia
  – Including in cocoa, cassava, cotton, palm oil and coffee supply chains

Production-Protection deals
Outside of Liberia – working on similar financing programs in Brazil and Indonesia

Convening and risk sharing
In all projects IDH acts as convener + provides grants (technical assistance) + risk-sharing funding in return for social & environmental impact
WHY IS INNOVATIVE FINANCING NEEDED?

But who is still willing to invest here?
(Greenfield) Community Outgrower Palm Oil Development

Economic & Reputational Risks for an investor are very high
- Agriculture (weather, perishability, seasonality, price volatility, land based)
- Lack of operational & financial track record of communities
- Country risk
- Regulatory structures (enforcement / legal approach)

No appetite from local or international banks to take this kind of risk...at the moment

**Long-term sustainability**
→ must be commercially viable to scale (safeguards from beginning to lead to financially sustainable)
THE LIBERIAN CONTEXT FOR INNOVATIVE FINANCING

IDH focus
• On-concession **Outgrower schemes which are community-based**
• Linking protection of HCV/HCS forest to the greenfield development of these palm oil production sites

What we bring: **concessionary risk-sharing funding** (donor de-risking facility) to catalyze investments by 3rd party investors (DFIs) and the relevant on-the-ground stakeholders into these on-concession greenfield Outgrower community plantation schemes

Key stakeholders
• Government of Liberia
• Outgrower Communities
• Concession Holders

**Required 3rd party investor**: (Development) Financial Institution
ROLES: FINANCING VS RISK-SHARING

Stakeholders / Strategic Investors:
- GOL
- Communities
- Legal Entity/ies representing the community/outgrowers
- Concession Holders

Other (3rd party investor(s)):
- IDH (funded by NICFI and potentially other donors)
- Development Financial Institution

Not all need to finance (provide physical cash-flow) but all do share the risks of the projects to different degrees
De-risking structure; a project finance approach

Development Financial Institution + IDH De-risking Facility

Concession holding palm oil company

- Payment of debt cost (from FBB only)
- Payment FBB minus debt cost

Special Purpose Vehicle (separate governance structure and financials)

- Debt
- Repayment
- Equity

Government of Liberia

Outgrower legal entity

Outgrower community (all members living in the community)
KEY INVESTMENT CRITERIA FOR IDH DE-RISKING FACILITY

1. **Production-Protection Agreements** legally in place
   - Including clear role & responsibility agreement
   - guidance on monitoring + enforcement process

1. A **reputable (development) financial institution** must be part of risk-sharing financing structure

1. Agreed upon Outgrower model + legal entity structure by GOL + CH + Community

1. Clear **governance** of financing scheme
   - SPV management & accountability

2. Approach must be clearly **scalable beyond pilots**
KEY CONSIDERATIONS IN PROMOTING TO DFIs

• Credible Investment Schedule for the greenfield development
  – Financial plan

• Clear Operational process & management
  – Operational plan

• Governance structure of project
  • Social and Environmental considerations
  • Role of GOL

• Legal agreements in place including enforcement

• Credible stakeholder engagement, monitoring process (including grievances approach)
WORKSHOP OBJECTIVES (YESTERDAY’S SLIDE)

1. COP Outgrower model(s) conditions and criteria
2. Process guide/ decision tree
3. Organization Structure and Capacities
5. 2016 Roadmap
   - Points that need to be researched by Grow consultant / otherwise
   - Next step actions
World Bank Forest Sector Program

Sekou Abou Kamara

(presentation available upon request)
CONSERVATION AGREEMENTS: “How it works in conservation, forest governance and livelihood development”

Borwen Sayon – REDD+ Policy Coordinator
Forestry Development Authority

Wing Yunn-Crawley – Biodiversity Manager,
ArcelorMittal

(presentation available upon request)
Production Protection Agreements; discussion notes
PPAs under the COP scheme
Production protection - principles

Outgrower model
- Communities must want to do this development and be willing to sign and implement a PPA
- Suitable land available for development (non-HCS)
- Feasible distance from nucleus farm
- Minimum scale xx ha

Green growth plan & forest conservation
- Sufficient conservation scope to allow for community to engage in meaningful conservation agreement
- Community needs to manage internal land allocation vs other farming
- Locations must have clear boundaries and no inter-community land conflict
PPAs under the COP scheme

**Investment criteria**

1. **Production-Protection Agreements** legally in place
   - Including clear role & responsibility agreement
   - Guidance on monitoring + enforcement process

PPA signed by:
- Concession holder;
- The Cooperative / outgrowers legal entity
- Community hosting the outgrower scheme,
- Forestry Development Authority (FDA)
- Ministry of Agriculture

The PPA lays out the specifics of the adjacent area to be protected. Furthermore it provides a protection plan, including a Community Benefit Sharing mechanisms and penalties, to which the community and the CH will agree.
Community benefit and risk sharing

- FFB trade / payments
- Outgrower legal entity / cooperative
- Outgrower community (all members living in the community)

Outgrower coop paying land lease into community level structure (like the Community Development Fund)

Penalties?
Bottom up design committee

- Small committee
  - Gvt (FDA, MoA?),
  - NGO (Social & environmental)
  - Concession holder
  - Community organisation structure expert

- Stay in each pilot community to co-design with community, approach to:
  - Cooperative membership and management;
  - Community benefit sharing mechanism;
  - Production protection agreement set-up;
  - Alternative livelihood / economic diversification opportunities

- Implementation partners coordination, joint approach and learning
Monitoring system

- Collaborate with FDA, REDD and WB program plus conservation NGOs
Non outgrowers
PPAs in non outgrower communities

- Legal status of forest: options need to be developed with land commission, deeded community forest
- Traceability
- PPAs / conservation agreements with other communities; more partnerships needed
  - Other cash crop opportunities
  - Alternative livelihoods
  - Stronger conservation in CH MoUs
The workshop was organised by the

Smallholder Productivity & Forest Protection Program

FULL WORKSHOP REPORT CAN BE DOWNLOADED FROM www.landscapesinitiative.com