

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



**FORESTRY DEVELOPMENT
AUTHORITY**



Day 1

Monrovia, 18th April 2016



NICFI



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

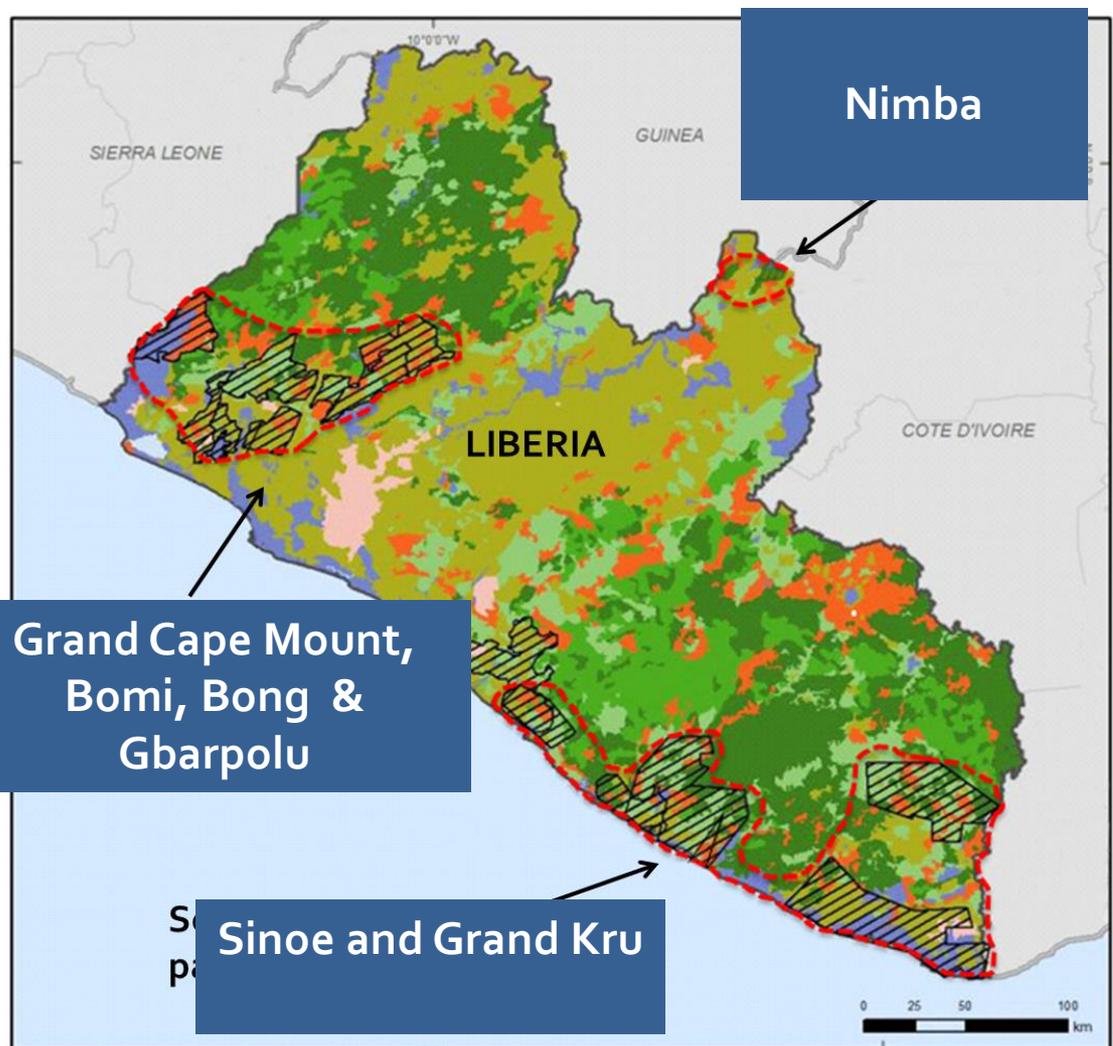
Objectives of the workshop

- 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

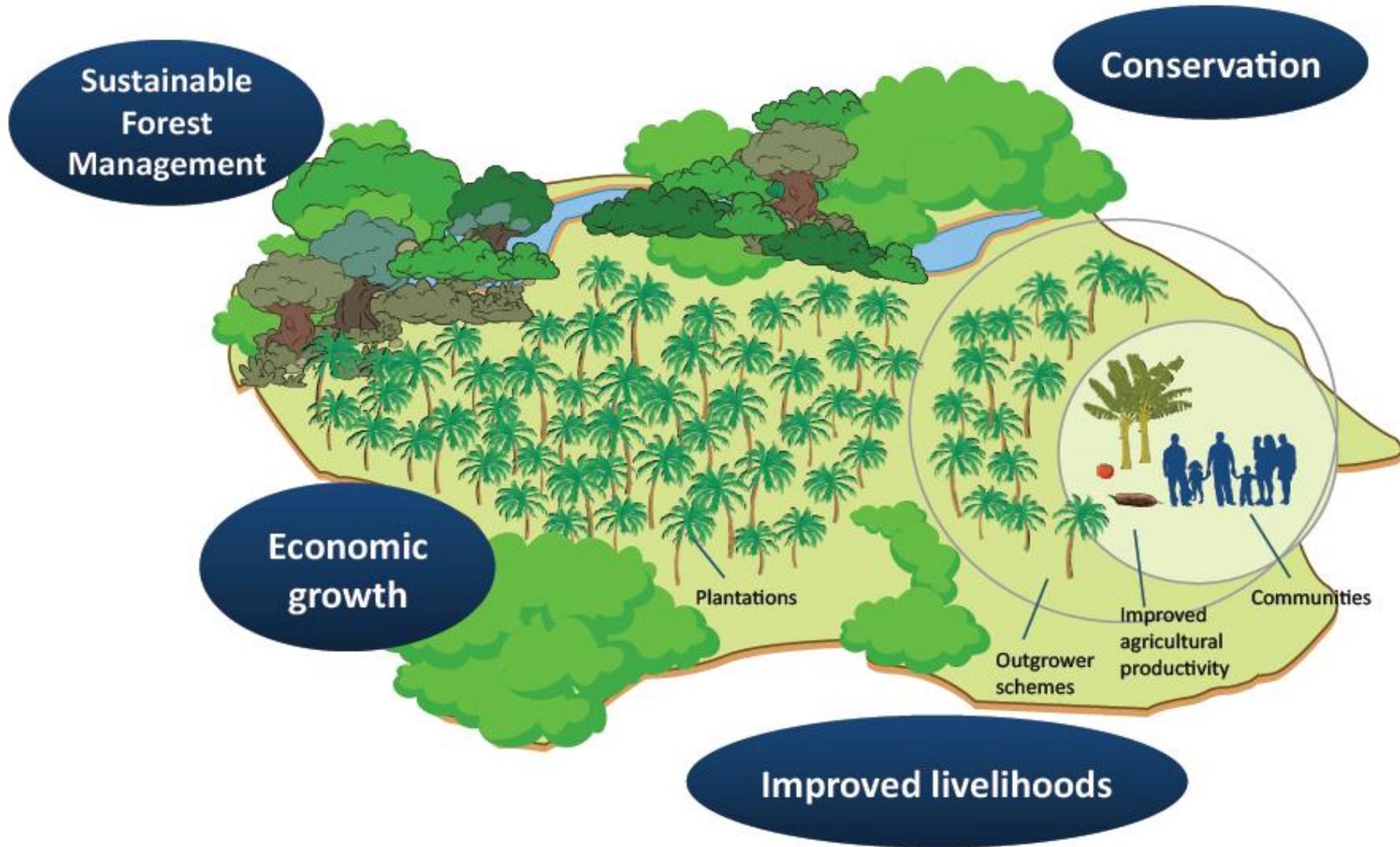
Daan Wensing

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

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

Element	Options
Social eligibility and entitlement	Farmers (in group/co-op), labourers <ol style="list-style-type: none">1. Community / individual fully decide2. Company fully decides3. Mixed decision – both company and community jointly decide

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

Element	Options
Land ownership and user rights	<ol style="list-style-type: none">1. Community has both <u>ownership</u> and <u>use rights</u>2. Community has <u>ownership</u> and <u>company leases</u> land from the community3. 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

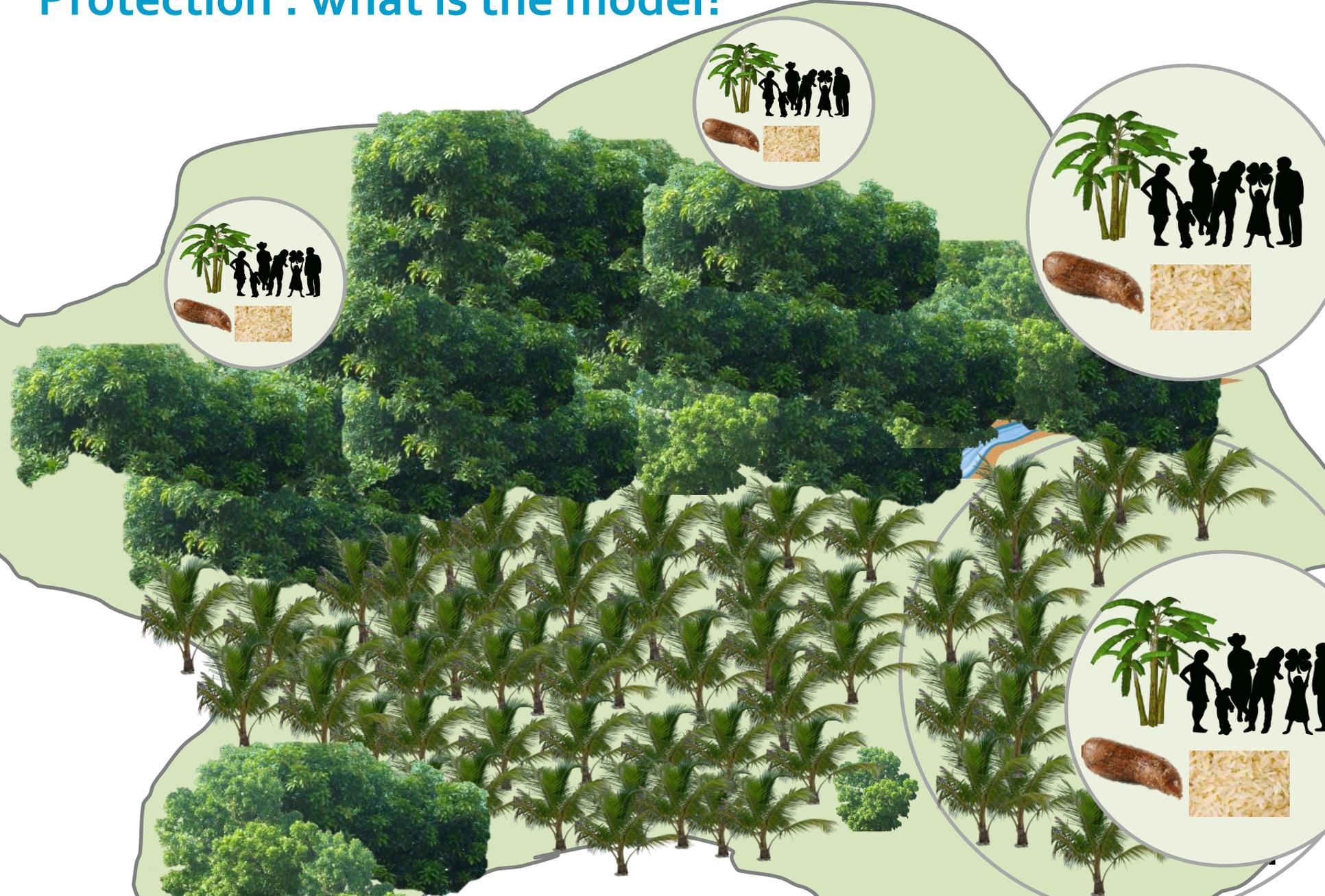
Element	Options
Land management	<ol style="list-style-type: none">1. Fully company managed2. Partial/mixed management3. Community management4. Cooperative management

Considerations:

It was suggested that :

- Could also consider a transition in management from company to cooperative, over time

Protection : what is the model?

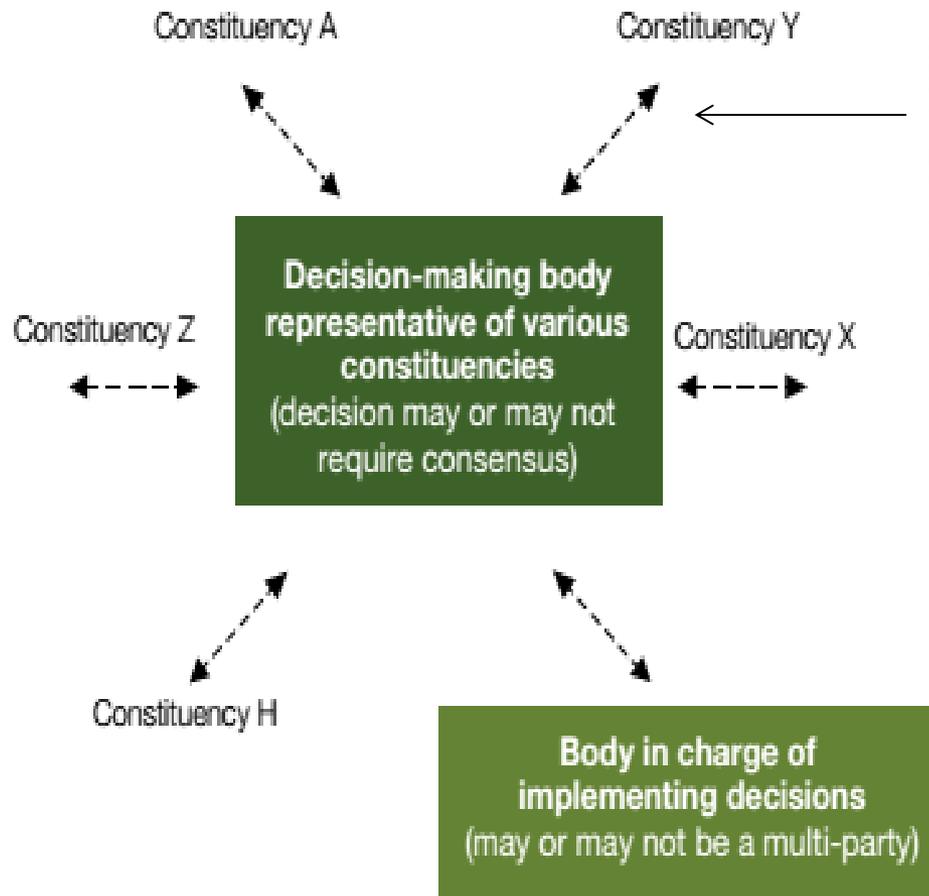


Protection considerations

- 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**

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

GVL

Matt Karinen

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



NICFI



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

Element	Considerations
Land Management	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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/outside”, diaspora, absentee owners challenge

Topic A: Considerations for COP (ctnd)

Element	Considerations
Land ownership and user rights	<ul style="list-style-type: none">• 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?
Forest Protection	<ul style="list-style-type: none">• Production-Protection Agreements must be by consent• Conserved forest must be HCS/HCV quality and of sufficient scale to be of conservation value.• Community and partners must be able to protect forest, with roles and responsibilities for monitoring and enforcement of protection goals clearly defined.

Risks/Challenges associated with COP model and Model 2 outgrower model

Conservation risks	Community risks
<ul style="list-style-type: none">• Community cannot control all forest users. (in and outside)• Not enough people benefitting to relieve pressure on forest• Incomes, roads etc. from plantation increases deforestation.	<ul style="list-style-type: none">• Risk (real and perceived) of exploitation by company or elites.• Monopoly status of company.• Conflict if some members in community become wealthy and others do not.• Farmers with small land cannot achieve income or food security.• Community liable for loan <u>and</u> for protection agreement.• Community level organization is difficult (e.g. coops).• Ownership/rights not clear in law or practice.

Potential Safeguards

Conservation Safeguards	Community Safeguards
<ul style="list-style-type: none">• Fair and broad distribution of benefits.• Incentives for outgrowers to meet conservation standards.• Conservation “group” at local level to clarify area, means of protection etc.• Community, company and government all working to monitor and uphold protection agreement.	<ul style="list-style-type: none">• Fair and broad distribution of benefits.• Neutral broker to help resolve intra-community and community-company disagreements.• Local design of model/agreements with all parties involved.• Long term support to building community structures (co-op, CDF, protection related groups)• Government and NGOs playing a stronger leadership role in defining/mediating roles and responsibilities.

Working group B. Roadmap

A	B	C	D	E
Theme	Activities	Timing	Principal	Partners
Community Outgrower & Protection Scheme	1) Determine go/no go areas	April	Concessionairs as implementation agent + advisor + provider of seedlings, etc. Communities as beneficiaries	MoA, NBC, IDH, NGO/CBO
	2) Determine offer to communities	April-May		
	3) Engaging communities (FPIC)	April-November		
	4) Develop agreed development n	April-August		
	5) Carry out SEIA	April-August		
	6) Carry out HCV/HCS assessme	April-August		
	7) Use above to develop New Planting Procedure	August		
PPAs outside	1) Engaging communities (FPIC)	April-November	GoL, NGO and Communities as beneficiaries	IDH, concessions
	2) Determine offer to communities	April-November		
Green Growth	1) Based on trends, future predictions, CNA and interviews: develop scenario's for Sustainable Development balancing People, Planet, Profit	May-October	IDH	Concessions, GoL, communities, NGO/CBO
	2) Concensus building on the	October-December		
Protection Governance	1) Create legal entity communities (CFMBs)	April-August	GoL and community	NGO/CBO, concessions
	2) Define roles and responsibilities in PPA	April-June	GoL, concessions, communities, IDH	NGO/CBO
	3) Develop legal framework for PPAs	April-August	FDA and EPA	MoA, concessions, communities
	4) Create coordinating committee per pilot area	April-August	GoL, concessions, communities, IDH	NGO/CBO
Investment	1) Operational Model	April-June	GROW	Concessions, GoL, communities, NGO/CBO, IDH
	2) Financial plan for CoP	April-June	GROW	Concessions, GoL, communities, NGO/CBO, IDH
	3) Sales Agreement Community-Concession	June-August	Concession, community, GoL	NGO/CBO, GROW
	4) Determine conditions for loan to Community/SPV	April-August	Concession, community, GoL, I	NGO/CBO, GROW
	5) Define investment criteria	April-August	IDH, GoL, FDIs	Concessions, GROW, NGO/CBO
Communication	Transparent and based on dialogue from start to end, FPIC			

Working group C.

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

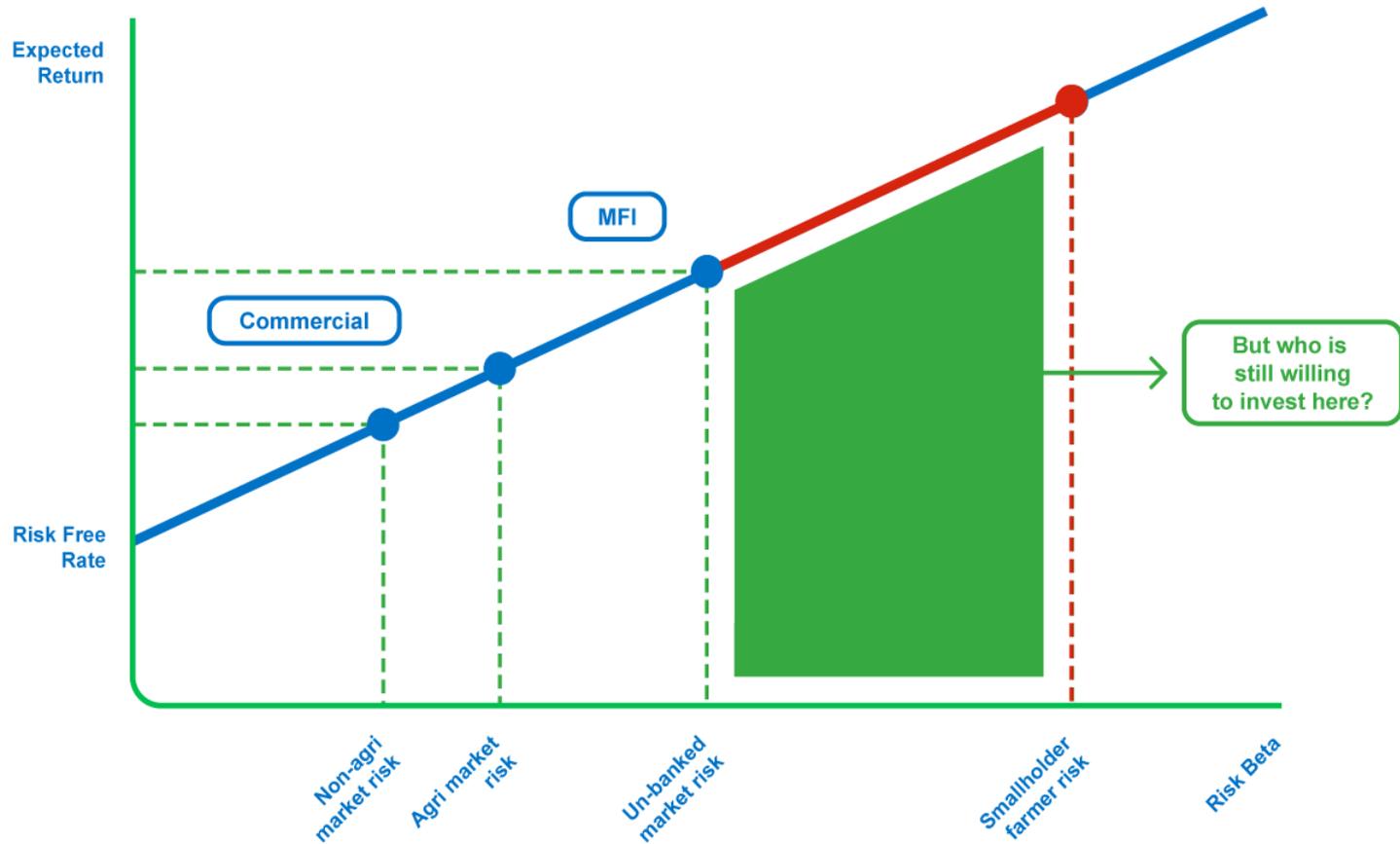
Production-Protection deals

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?



THE LIBERIAN CONTEXT FOR INNOVATIVE FINANCING

(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:

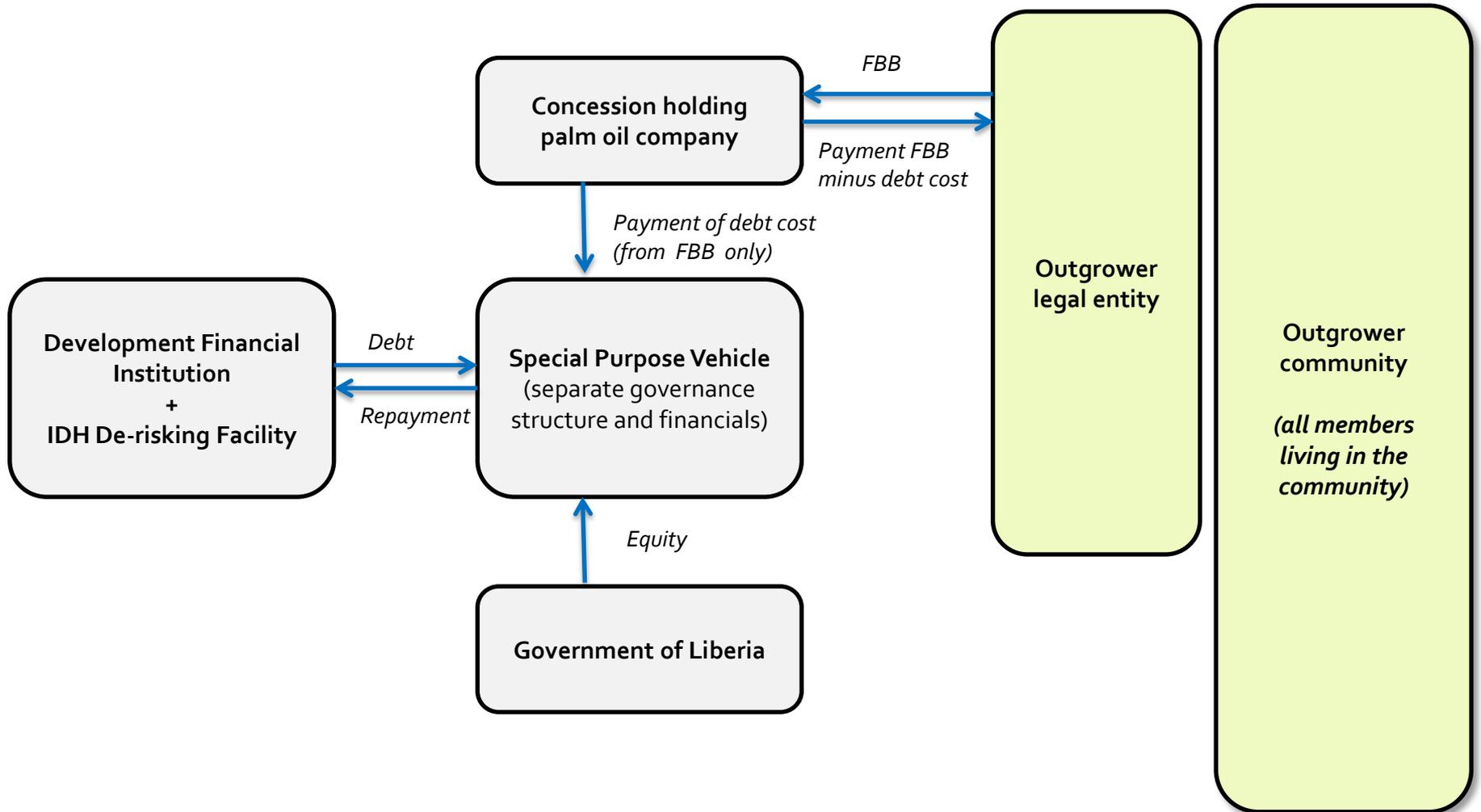
- GOL
- Communities
- Legal Entity/ies representing the community/outgrowers
- Concession Holders

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



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
4. Potential Financial & Risk- Sharing Structure for the Outgrower Schemes
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”

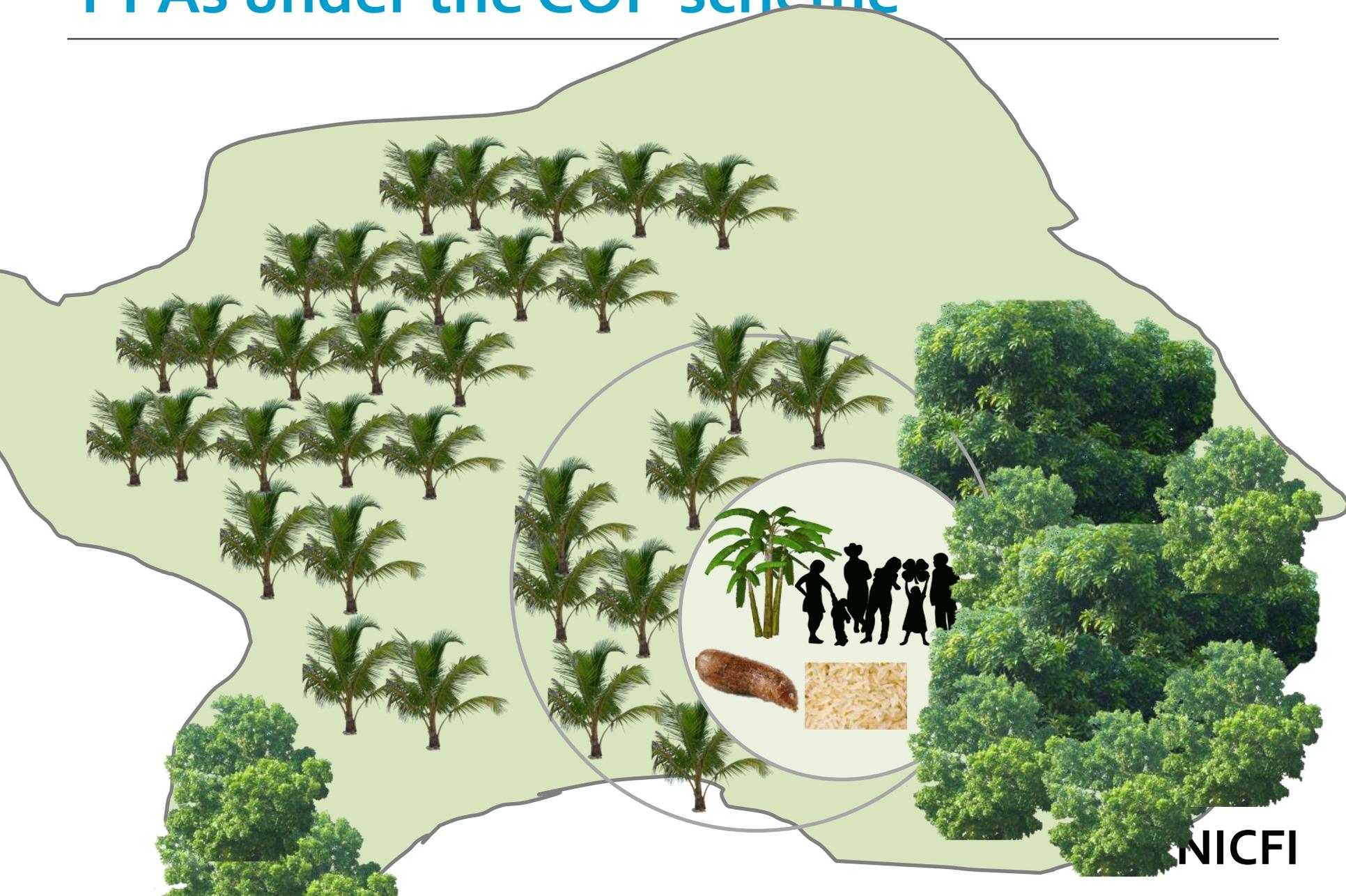
**Borwen Sayon – REDD+ Policy Coordinator
Forestry Development Authority**

**Wing Yunn-Crawley – Biodiversity Manager,
ArcelorMittal**

(presentation available upon request)

Production Protection Agreements ; discussion notes

PPAs under the COP scheme



NICFI

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

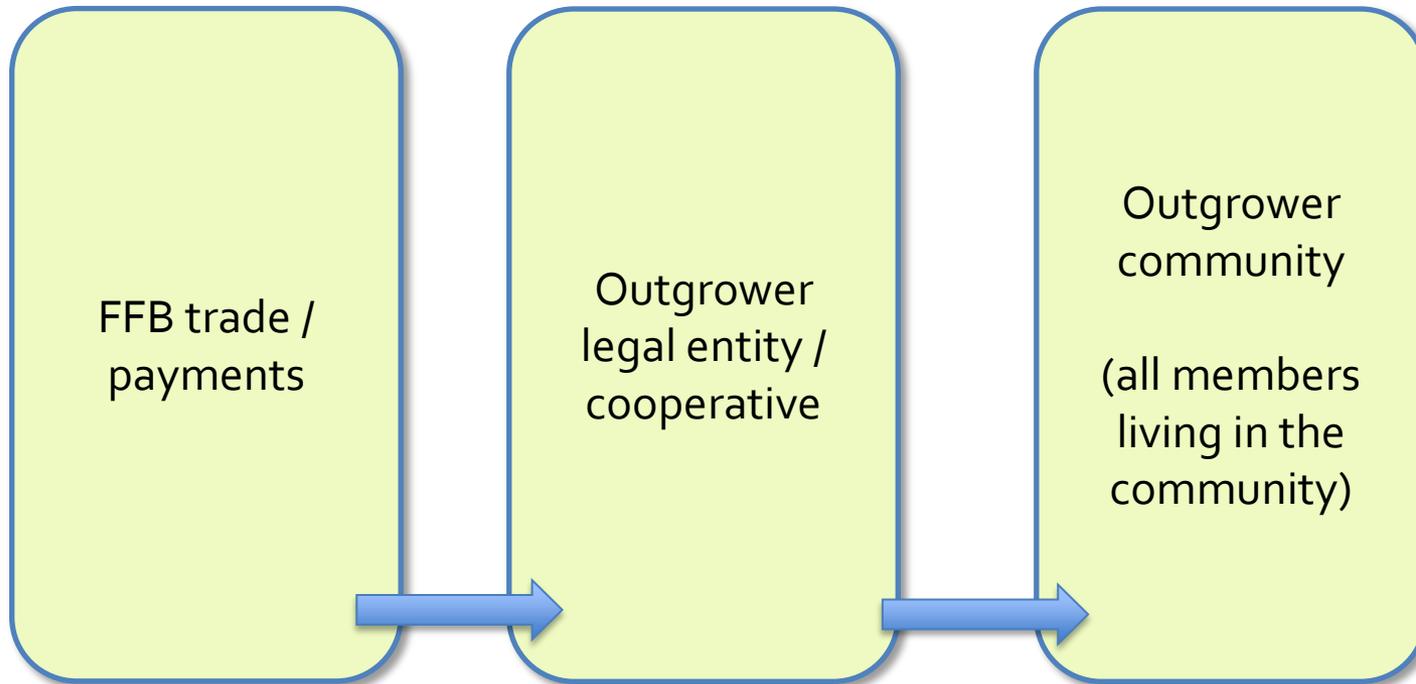
- 1. Production-Protection Agreements** legally in place
 - Including clear role & responsibility agreement
 - guidance on monitoring + enforcement process

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



Penalties?

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

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



NICFI

