2.3 Oil palm and forest protection with Golden Veroleum Liberia

DAVID ROTHSCHILD, MATT KARINEN, ANDREW KLUTH and NIENKE STAM

Introduction

Most tropical deforestation is caused by agricultural expansion for the production of global commodities such as soy, palm oil, beef and wood products. For transformative finance and business models that align commodity production with forest protection with the active support of smallholders and communities, government, industry and civil society must work together.

Effective forest conservation requires incentives for all parties involved.

IDH (the Sustainable Trade Initiative) is leading innovation through its Landscapes Programme, developing production-protection-inclusion (PPI) arrangements in 11 landscapes where commercial interests are looking for ways to support sustainable natural resource use. The aim is to build public and private stakeholder coalitions that optimize commodity production that explicitly links forest conservation and social inclusion. This article outlines emerging lessons from the early stages of development of PPIs in the southeast of Liberia. The PPIs were created through a partnership with the Forestry Development Authority of Liberia, IDH and the oil palm concession holder Golden Veroleum Liberia (GVL).

Background

Liberia is one of the least developed countries in the world, with high numbers of under-educated and unemployed youth and few opportunities for economic development. The 23 years of civil conflict after the 1980 coup, and the Ebola outbreak in 2014–15, had a severe impact on all aspects of society and the economy. GVL obtained concessionary rights to develop 220,000 ha for oil palm in 2010 in southeast part of the country, which is particularly undeveloped. Liberia is home to more than 40% of the ecologically important Upper Guinean rainforest, and the southeast is especially densely forested, so responsible development is essential to avoid deforestation and forest degradation.

David Rothschild is Director, Golden Veroleum Liberia, and High Carbon Stock Approach (HCSA) Steering Group member, Monrovia, Liberia; **Matt Karinen** is Director, Golden Veroleum Liberia; **Andrew Kluth** is Vice President Sustainability, Golden Veroleum Liberia; and **Nienke Stam** is Senior Program Manager, IDH Sustainable Trade Initiative, Utrecht, the Netherlands.

GVL's principal investor is Golden Agri-Resources (GAR), the world's second largest palm oil company. GAR announced a Forest Conservation Policy in 2011 stating that new oil palm developments would not contribute to deforestation. GVL adopted its own Forest Conservation Policy in 2013, which aimed to implement development without deforestation and to respect the rights of the host community. The GVL policy commits to no new developments in high carbon stock forests, high conservation value areas or on peatlands. This, the first commitment of its kind in Africa, was piloted with support from The Forest Trust and Greenpeace. It includes a commitment that community agreements must follow principles of free, prior and informed consent (FPIC) and use participatory mapping as mandated by the Roundtable on Sustainable Palm Oil (RSPO), of which GVL is a member.

GVL and plantation development

The Concession Agreement signed by GVL and the Liberian government in 2008 states that land within concession areas "shall be free from encumbrances at the date of handover of such lands." In practice, GVL recognizes that all land it might develop belongs to communities that rightfully assert ownership, typically through traditional land-use rights, but also through acts of law and title deeds. Since the Concession Agreement is valid for 65 years and could be extended for another 33 years, it is essential that GVL builds strong, informed and robust partnerships with communities.

Implementation begins with land identification:

1. GVL uses satellite imagery to conduct an initial land cover assessment to identify land suitable for development.
2. High conservation value (HCV) and high carbon stock (HCS) assessments classify forest cover into six categories: high-, medium- and low-density forest, young regenerating forest, scrub, and open land, in accordance with the HCS Toolkit. A decision tree assesses whether isolated forest patches should be conserved or may be developed. In accordance with this approach, GVL develops only on open land and scrub. Third-party consultants conduct Environmental and Social Impact Assessments and verify HCV assessment, as required under RSPO's New Planting Procedure.

3. Results from HCS and HCV evaluations are factored into land cover assessments. Conservation land is first set aside, before assessing what should be set aside for community and other uses, such as riparian buffer zone. The remainder is land available for possible development.
4. Participatory mapping with host communities identifies/confirms the existing/future areas that cannot be developed; e.g., farmland, culturally important areas (sacred sites and cemeteries), inhabited and abandoned towns, and other important areas (e.g., for harvesting roof thatch).

5. If and when agreement on developing an area for oil palm is reached, a Memorandum of Understanding (Box 1) between the community and GVL is signed. Typically, GVL plants on an average of around 5–10% of the total community land, once HCV and HCS areas and land needed for other uses is excluded.

Box 1. Memorandum of Understanding

A Memorandum of Understanding (MOU) sets out expectations on both sides and defines the land that communities will permit GVL to lease and develop. Almost invariably, HCS forests are excluded and are therefore outside the concession areas. GVL has no legal mandate to ensure that these community-owned forest areas are conserved, although MOUs since September 2014 have included a signed map showing HCV/HCS areas that should be conserved. This reaffirms GVL's commitment to its forest conservation policy and to RSPO Principles and Criteria. More recent MOUs also include an appendix that sets out a joint commitment with the community to conserve protected species, riparian buffer zones and forested areas.

Community relations

A number of notable NGOs and CSOs have been critically watching oil palm development in Liberia, with the view that the age of concessions is over. They argue that instead, investments should be made directly in communities to enable them to improve productivity, possibly as outgrowers selling to concessionaire mills. Liberian concession agreements include a requirement that concessionaires should support the development of outgrower schemes, with approximately 1 ha for every 5 ha of company oil palm. For example, GVL is required to help develop 40,000 ha of outgrower oil palm if the company develops its concession up to the maximum allowed 220,000 ha. However, the concession agreement also states that the Liberian government must obtain funding for the outgrower programme; since this has not happened, the programme has yet to start.

GVL investment has led to the monetization of large areas of land for the first time. This, combined with concerns that traditional land tenure rights, traditional uses and cultural land values are being disregarded or violated, has led to complaints, claims and counter-claims. Sometimes these complaints are legitimate, but, anecdotally at least, they are also at time motivated by prospects of personal or political gain.

GVL acknowledges that it did not get land agreement processes right in its early days of operation, resulting in a complaint to RSPO and a stop-development order in the affected community. GVL was held under a high level of scrutiny thereafter, but has made substantial investments to improve FPIC processes and continues to review and refine them with feedback and experience. By the end of 2016, GVL had developed some 15,000 ha and employed more than 3,700 people, who were estimated to locally support and benefit between 15,000 and 30,000 household members, dependents and other people.

Limitations of the FCP and HCS approaches

GVL's operations are expanding in a manner that is verifiably free of deforestation, but the company is aware that its presence opens up opportunities for deforestation outside its immediate control. It has no legal enforcement capability outside its concession areas, so the way it applies its forest conservation policy and the HCS Toolkit can address only its direct impacts. In-migration — with the prospect of jobs, high rates of population growth and easier access to high forest cover areas as a result of road improvements — means that indirect pressures on forests are heightened. Despite joint commitments to conserving forested areas included in MOUs, GVL acknowledges that it and signatory communities do not have a process for holding each other accountable to ensure that both parties honour this commitment. Community forests and other forested areas of community land can be sizeable (40,000 ha is not uncommon) and may comprise 80–90% of total community land. These forest areas can include rich biodiversity, yet most have no legal or formal protected status.

GVL recognizes that a meaningful zero deforestation policy requires working integrally with communities and smallholders in the producing region, as well as raising the legal protection status of forested areas. It is essential to encourage full community participation in the conservation and management of HCV and HCS set-asides, and recognizing their rights and assuring them continued access to their cultural HCV forest resources. For communities to adopt such conservation and forest protection initiatives willingly, incentives must be provided within long term agreements to ensure the accountability of all parties involved.

Production, Protection and Inclusion agreements

So, is there an investment model that can help address this incentive gap for active forest protection? IDH and GVL believe that community outgrower programmes and forest protection — if combined in a design that guarantees production, protection and inclusion — has the potential of becoming the leading model for concession development in Liberia. In 2015, the country's Forestry Development Authority and IDH, with the support of Norway, partnered to protect forests threatened by agro-commodity expansion. They realized that effective forest conservation requires working with communities to increase agricultural income on existing farmland. The community oil palm outgrower scheme was one immediately evident opportunity, due to its expected high revenues, and because investments in tree crops are long term, as are investments in forest conservation.

The production-protection-inclusion approach was developed to combine investment in inclusive agricultural productivity with strong incentives for forest protection. Looking at lessons learned from oil palm development in Southeast Asia, the partners incorporated four key elements in the production-protection-inclusion approach: 1) respecting and strengthening community land rights; 2) free, prior and informed consent; 3) development of zero deforestation concession; and 4) strong monitoring and continued incentives to support forest and biodiversity protection.

Work began with a proposal for communities in the GVL concession, in partnership with IDH and FDA, to raise capital for investing in community oil palm farms, while leveraging this investment to create incentives for forest conservation. This introduced production-protection agreements (PPAs) as a form of public-private-community forest protection governance. Through these agreements, communities commit to conserve, actively monitor and manage forests in exchange for access to investment capital and technical assistance to establish community oil palm farms. The investment model includes an annual income paid to communities, which is conditional on verified compliance with a forest protection plan that communities must commit to as a condition of the PPA.

The first round of investment is with six to eight communities for 4,000 ha of community oil palm farmland, leveraging at least 20,000 ha of HCV/HCS forest conservation. Key investors, who provided cash and long-term instruments, include the Investment Fund for Production Protection, which was launched at the Davos World Economic Forum in January 2017. GVL, the concession holding company, is another key investor.

The initiative builds on a key lesson: parties must work within an agreed and consistent framework to achieve effective forest conservation. The strengths that GVL brings are expertise in palm oil management, its agreement for palm oil fruits, its community engagement capacity and its environmental monitoring and management team. These provide an essential interface in conservation planning and management in coordination with communities and the Forestry Development Authority. The authority is mandated to monitor forest conservation and ensure that companies and communities protect forests — which also triggers annual incentive payments to communities. IDH's temporary role is to work with the government and GVL to raise investment capital, and to coordinate the provision of technical assistance and capacity building so partners can fulfil their programme obligations.

Addressing risks

The focus of technical assistance and community capacity building is overcoming three key risks. The first is the risk that communities will sign agreements without fully understanding or agreeing to all their commitments, such as their role in forest conservation and potential liabilities. To overcome this, decision making around oil palm loans and PPAs must be underpinned by community-level free, prior and informed decision making. The process will include providing information to communities; built-in checkpoints leading to any eventual investment decision; external governance capacity building and legal support; and external validation of full compliance with FPIC principles prior to investment and signing of the agreement.

The second risk relates to unequal benefit sharing, or elite capture (from within or outside of the community) of benefits, financial or otherwise, and the marginalization of some people due to inadequate governance systems. To support inclusive community decision making and benefit sharing, external partners must be trained and provided with resources to support communities in building accountable and inclusive governance structures for decision making related to their oil palm and forest protection commitments.

The third risk relates to economic and livelihood factors, including the possible low profitability of palm oil as a core cash crop, single-crop dependency, and possible food insecurity due to less land being available for food crops. In response to this risk, communities that are unable to set aside sufficient land to ensure food security or options to diversify income will not be eligible for the investment. Investment partners must work with communities to support effective land-use planning and provide technical assistance for income diversification and food security.

Historically, the benefits from natural resources that reach local communities in Liberia have been spent on local infrastructure, such as building a school or community meeting place. Through farmer field schools and marketing programmes, the aim of the partnership is to support communities by investing oil palm revenues productively to improve resilience and food security.

Emerging lessons

This pioneering production-protection-inclusion approach is based on the realization that communities can take leadership roles in zero deforestation commitments only if they are provided with appropriate incentives. An emerging lesson is that if PPAs are to succeed, capacity building will be necessary, not only for communities but for all local stake-holders, including national and local government and government agencies, NGOs and CSOs, and GVL field staff. Ongoing engagement, communication and capacity building needs to be expanded to include all these stakeholder groups in order to adopt zero deforestation and forest protection.

Outside of Liberia, a precondition for scaling up such initiatives is that policies, markets and financiers offer incentives to companies and communities that protect forests. This includes clear commitments from buyers to source only from companies that effectively implement zero deforestation policies, improved traceability of palm oil to verified zero deforestation landscapes and jurisdictions, stronger commitments from international finance to invest only in zero deforestation production, and agricultural intensification on degraded lands that is combined with forest protection incentives.

Conclusions

This article highlights an emerging experience of tying investment in smallholder oil palm outgrowers to forest protection. For this to succeed, forest protection commitments must be incorporated into the way a company works with communities. Responsible and sustainable zero deforestation oil palm development requires clear agreements with host communities, and strong and well implemented policies that protect HCV and HCS forest areas.

The innovative production–protection-inclusion agreement approach shows promise as a form of public-private-community governance for forest protection. A key strength of this approach is that it raises the status of HCV and HCS forests while providing incentives for communities, government and concession holders to collaborate in long-term forest protection. Communities must be involved at all stages, and a well-managed approach must bring together communities, private companies, regulators, civil society, funders, government agencies and technical trainers (conservationists, alternative livelihood coaches). It must also be accompanied by ongoing engagement and capacity building that continues to create support for zero deforestation and forest protection.