

Community owned palm oil plantations

Nowhere in the world does agricultural investment go hand in hand with forest protection. For years, the Sustainable Trade Initiative (IDH) has been working on developing innovative finance solutions to change this status quo. Now, thanks to the AndGreen.Fund, local communities will receive funding to start their own palm oil plantations, provided they leave the majority of their tropical forests untouched. The first project will launch in Liberia with additional support from professional palm oil companies that also wish to bring deforestation to an end.

Let's take a look at Liberia, bounded on the West Coast of Africa by cacao-producing country Ivory Coast and Sierra Leone. Few poorer country exist in the world. After fourteen years of civil war and the 2014 Ebola epidemic, one third of the population is younger than ten years of age and has little or nothing to eat. But, in 2006 the population of this former rogue state, then led by Charles Taylor, elected Ellen Johnson Sirleaf (1938) as their new leader, which made her the first elected female head of state in Africa. The whole world rejoiced. She was jointly awarded the Nobel Peace Prize and she received no fewer than seven honorary doctorates of as many universities. Sirleaf studied at Harvard University and developed a plan to lift her country out of poverty. Important pillars included the construction of palm oil plantations and free education. She hopes to create jobs for a 100,000 civilians, who will be better educated than ever before. The American billionaire George Soros supported the endeavor. Furthermore, former Prime Minister of the United Kingdom Tony Blair mobilized his Africa Governance Initiative to strengthen the public administration in Liberia and to make it free of corruption.

To date, four large palm oil companies are active in Liberia. One of them is Golden Veroleum Liberia (GVL), largely owned by Golden Agri-Resources in Singapore. This producer has already built a factory and processed the first harvest of palm fruits. The company now wishes to invest USD 1,6 billion in exchange for a concession regarding 220 thousand hectares of land. The lease-contract is 65 years and extendable to 98 years.

It would be easy to compare the situation in West Africa to that in South East Asia, where the palm oil producers' appetite for land threatens the habitat of orangutans. According to Joost Oorthuizen, CEO of the Sustainable Trade Initiative (IDH), there is a world of difference. "In other West African countries, such as Ivory Coast and Ghana, the Guinea tropical forest has almost disappeared, but in Liberia deforestation has been kept to quite a minimum. The same is true of Sierra Leone, a country so poor and unstable that smallholder farmers did not expand into the forests and investors also stayed away. So we have a chance to avoid what happened in South East Asia and neighboring countries, such as Ivory Coast and Ghana: logging in favor of agriculture. Yet the agriculture industry in Liberia also needs to grow to lift communities out of poverty. Luckily, most of the forest is still there. In theory, this offers the opportunity to combine intensive agriculture with forest conservation. We would like to facilitate a doubleheader in Liberia: to provide a combination of production *and* protection of tropical forests. Or even a triple one: ensuring that local communities will benefit too."

In Liberia 40 per cent of the ecologically valuable Upper Guinean rainforest still remains. Consultations on sustainable production of palm oil have already commenced, including the Roundtable on Sustainable Palm Oil (RSPO). To guarantee the supply of sustainably produced palm oil, coordination is key.

Dumb luck also plays a part. Such as when, at the very moment you really need someone, the ideal candidate for the job becomes available. Oorthuizen could not believe his luck when he heard that Nanno Kleiterp, CEO of the successful Dutch development bank FMO announced his parting with the bank. Few directors have as extensive a global network in developing countries as Kleiterp, who has

thirty years of experience in supervising economic developments in poor countries. “Joost did not mind me leaving FMO”, recalls Kleiterp, with a roar of laughter. Even better was the fact that the banker wished to devote himself to forests and nature after his retirement. But how to develop business models to preserve tropical forests?

At FMO, Kleiterp already was a passionate and committed manager. In his office he covered an entire wall with Vision 2050 from the World Business Council for Sustainable Development (WBCSD). He says: “Oorthuizen asked me to contribute ideas on establishing a new investment fund. A fund that makes it feasible to increase sustainability of palm oil, soy, livestock and forestry for the paper industry while maintaining the forests. I put forward ideas on how to organize it. A fund where governments, companies and investors work closely together. It would not work without all of these three parties.”

At the World Economic Forum in Davos this year, Oorthuizen was able to shed light on his unique fund, which came to be named the AndGreen.Fund. The Prime Minister of Norway had the honor of presenting the fund and announced the injection of the first USD 100 million. The World Wildlife Fund and the World Resources Institute showed their appreciation with applause. Paul Polman of Unilever and the UN organization UNEP are considering investing USD 25 million and USD 10 million into the fund. Talks on these investments are in progress. Other global trading houses in agricultural commodities – including Mars, Carrefour, Marks & Spencer, Nestlé and METRO Group - also indicated their desire to support the initiative. The ambitious goal is to protect 5 million hectares of tropical forests and peatlands by 2020. Kleiterp, now CEO of the fund, which has taken on the legal form of charitable foundation, says: “It is our aim to reach the amount of USD 400 million by 2020. Our focus is on Brazil, Indonesia, Colombia, Peru and West Africa.”

How does the AndGreen.Fund work? Kleiterp clarifies: “It is pivotal that the fund reduces the risk for investors, as we will be working in high-risk countries with very risky projects and demanding requirements. When an agricultural area will be developed, we impose demands for protecting the tropical forest and to improving the living conditions of the local community. We wish to make both an environmental and a social difference. That is why we take the greatest risk ourselves; up to a maximum of 25 percent of the total investment. Meaning that we bear a significant part of the loss, should something go wrong. If all goes well, we share in the success. All of our profit flows back into the fund to enable new investments. This set-up makes it appealing for investors, such as banks, to participate. Our investments start with amounts of USD 15 million and climb to a maximum of USD 200 million.”

The role of governments is crucial to success. Kleiterp is very clear about that: “It simply will not work without a government plan. Of course, a company can monitor its own designated area where it is agreed that no logging takes place and the forest remains unharmed. But it is a different case in surrounding areas. A company is not able to take action there, and can at most only report deforestation. It is up to the government to intervene and to find social solutions. The term for this is PPI: Production Protection Inclusion. Open collaboration and sharing information is paramount. Transparency can then be used as a form of political pressure.”

Kleiterp states that the satellite images of the Global Forest Watch help with monitoring the areas: “You can immediately identify whether a forest is being burned down. Alarm bells will start ringing straight away. It’s a live system that provides excellent information, which is why we are working together with this organization. The Indonesian authorities already use it too.” However, only after putting it into practice it will be clear whether it works, as the distances are very large. For instance, a state such as Mato Grosso in Brazil is twice or three times the size of the whole of France and the area is the most important supplier of soy.

Kleiterp is already thinking of a new fund: AndGreen.Fund II. “I’ll continue working until it is established

and it has proven its worth. I am not counting the days I am working, I just put in the hours it needs.” It is not Kleiterp’s task to find producers on site. “No, no”, he says laughing. “The investment committee will send us, the management team, an investment plan for evaluation. A separate investment team, Sail Ventures, is responsible for the acquisition. I actually just met with them yesterday for a consultation with the chief investment officer, Johnny Brom.”

Brom is from South Africa, his name sounds very Dutch, but Brom’s grandfather is actually from Lithuania. He probably made his name sound more Dutch. His surname may have been Brominski or something similar. In the period of the First World War, many Jews immigrated from Lithuania to South Africa.

Johnny Brom (1981) grew up in the Western Cape, with its many vineyards. “My parents were hippies. They travelled the world for seven years, along the hippy trail. They also went to The Netherlands and visited Amsterdam. They even slept in the Vondelpark. But when they had children my mother said: ‘Now we need money’. So they picked up their profession again as medical specialists. They did not return to Miami, where they had worked before, but went back to my father’s birth country, South Africa. This country gave me my love of agriculture. My old friends are now all wine growers”.

Brom also commenced with studying medicine, but “that was not for me”. The financial world suited him better and after his education at the University of Cape Town he started his career as a financial analyst at the investment bank J.P. Morgan. “I was only 35 levels below the CEO in Wall Street”, he recalls. After his follow-up trainings in Private Equity and Development in London, he returned to South Africa, subsequently he followed his wife to The Netherlands when she started a job in The Hague. It is here that he met Joost Oorthuizen from IDH, who was at that time looking for opportunities to attract investors for sustainable trade. “I had no idea yet how to do that exactly,” Said Brom. “I just followed my sense of direction. I knew I would be able to find a solution then. Joost really is ahead of his time.”

As chief of ‘Innovative Finance’ at IDH, Brom started to bridge the gap between investors and companies that trade in commodities such as cacao and palm oil. “I fully understand these two worlds and that is very useful. I know less about other NGO’s such as Oxfam.”

In the following years IDH developed to become the specialist in business-driven programs that intensify land usage and, as such, impact forest conservation and the incomes of smallholders. IDH also invented Service Delivery Models; customized services for smallholders to help them with operating assets such as seeds, better planting material, education, and money.

So, did Brom make a major discovery at IDH? His modest answer: “No, we did not reinvent the wheel. All elements were already there. It is more about the way you put them all together, like a puzzle. Many others were also looking for the same answer. How to save the world? And that is how it goes when many people are looking for the same thing: suddenly one of them makes the discovery. Facebook was also invented that way.”

Over time it became apparent that for the implementation a new and separate investment fund was necessary. A fund that also needed its own external investment specialist. Brom left IDH and founded Sail Ventures this year, where he now is the Chief Investment Officer.

At the time that IDH developed AndGreen.Fund it wished to attract a fund manager according to a prescribed European tender process. Brom was able to present himself best out of four candidates and won the contract. That way he became the central striker in the line-up. “Do not forget the advisory board of the fund,” Brom adds. “Do you know who also has a chair in it? The Prime Minister of Liberia, Ellen Johnson Sirleaf.” So, the wheel might not have been reinvented; it did, however, come full circle.

Now, how will this wheel turn? What type of parties will Brom attract and in what exactly will AndGreen.Fund invest? "In production means," is the simple answer. "We will, for instance, finance 10,000 livestock. But to receive our loan, the landowner must meet special requirements: he needs to leave a substantial part of his forest intact. To enable him to reach production targets, we will help with organizing the professional development. We provide varieties of improved quality of better genetic material. The same applies to other resources, such as palm oil. Here too, new varieties could result in an increased production per hectare."

What is the greatest risk in these scenario's, for which And.Greenfund is accountable?
Brom: "Imagine that, by whatever cause, a thousand cows die. This will be our loss, and it will not affect any of the other investors."

Why would entrepreneurs go to the AndGreen.Fund instead of the Rabobank, an investor also specializing in agrifood?

"The AndGreen.Fund is willing to be committed on the long term. For example for a period of time that goes beyond new election dates. Banks are way more reluctant to do so. We also provide more flexibility on how to structure the repayment of the granted loan, as we follow the agricultural cycle. Other investors are not willing to do that, which is a huge problem, particularly in Africa. On top of that we do not just do business with large farms, but also help the smallholders around the plantations, who on their own land could also become suppliers for the central palm oil factory. This needs to be organized well, as palm fruits should be processed within 48 hours of harvest."

How do agricultural businesses find AndGreen.Fund?

"The largest parties already know us. It is quite a small world in the end. The networks of Kleiterp and IDH prove to be invaluable. Their name and reputation make a huge difference. Kleiterp knows all developing countries in the world and he is still active as chairman of the group of European developing banks".

Brom shows his brand newly renovated office at the Nieuwezijds Voorburgwal in Amsterdam, a ten minutes' walk from the central train station. He is currently busy with job interviews. "Yesterday I spoke to a candidate from Auckland. He thinks that nowadays distances do not matter much anymore. He might have a point when it comes to a flight to New Zealand or Indonesia, but I think that West Africa and Brazil are a bit far out for him though."

For Nienke Stam (1978) the trip from the Netherlands to Liberia is a much smaller effort, especially since KLM offers direct flights to the capital city Monrovia. The senior program manager of IDH flies 'in and out, since 2015', almost on a monthly basis. These preparation visits are the result of AndGreen.Fund's interest in Liberia. Here especially, the principal funds provider, Norway, would like to see that investments benefit forest conservation. It is basically a question of how to translate this wish to 'the ground', as the employees in the offices of IDH in Utrecht say, where the predominant working language is English.

Stam: "Investments in agriculture combined with forest conservation have been created on drawing boards. Our team has worked hard to align this idea with the possibilities large-scale palm oil contracts in Liberia provide to local farmers. The investments present them ways to profit from the opportunities an own palm oil plantation can yield."

How can an idea become concrete? The answer: by talking to and discussing things with the inhabitants of the forests. And of course, by listening carefully to them. This is exactly what Stam has been doing a lot in the past few years. "Usually with the help of translators. They might speak English in Liberia, but they hardly understand me."

And where to start? Stam knows: “In the context of land rights. Who owns the land that the communities are built on? Who owns the forests? Are they government owned, or owned by the local people who depend on them? However, there is not much more to hold on to than the old land rights. These community land rights should be recognized first before we can get started. New national legislation on this topic has been prepared and will be addressed soon by the national parliament. For the local people, this is the first success in this process.”

For over a year, Stam’s team of five has worked from both The Netherlands and Liberia. The investment proposal was shaped through input from palm oil concessionaires, NGO’s involved in environment and human rights, the Liberian government and the local people. “Well, yes, it really is a multi-stakeholder process,” Stam says, laughing. “We sometimes have heated debates.”

Her team, with IDH colleague Lizzy van der Wal permanently residing in Liberia as IDH country coordinator, spoke to people from eight communities located in the south east of the country. These communities live in the vicinity of the pieces of land the government gave in concession to palm oil producer GVL. “Some villages have a few hundred inhabitants, others a couple of thousand,” Stam mentions to clarify the sizes.

“We started a decision-making process that needed to be conducted extremely accurately”, says Stam, who studied rural development studies at Wageningen University. “There are many malpractices in Liberia on land rights and on sharing the revenue from natural resources. A well-known problem in the logging industry. Palm oil companies also made huge mistakes with the acknowledgment of the land rights of local people. Naturally, we need to avoid that in this investment.”

Pictures show how people map their land by drawing on a piece of paper. Stam: “How big is the land of the community? How much land is needed for food production? How much for future livelihood? How much of the forests is currently being used? These questions resulted in border disputes between communities. Some of them have now been resolved. The forests also have sacred places and burial sites, which we need to respect.”

She learned how valuable the tropical forests are to the Liberians. It is a safe place, where they could hide during the civil war. And also during the Ebola epidemic when people had to avoid human contact as much as possible.”

Between these meetings Stam experienced the beauty of this tropical world. It is much less well-known than the Amazon rainforest, but also a habitat for special species of trees and animals.

“The forests have a lot of giant trees and many marshes, in which even pygmy hippopotamuses live. I have never seen one before. No-one I know has ever seen one. There are many birds, forest elephants and chimpanzees too. I once witnessed people carrying a wounded chimpanzee into the village. The locals tried to save the infant, but it died after a few days. That was very sad”.

Is it a difficult process to get to the actual decision-making?

Stam: “There are hardly any educated people and the communities do not consist of homogeneous groups of people; there are of course different opinions and visions on the world. Also, the diaspora has a lot of influence; people who are originally from the area, but now live in Monrovia, or even America. We therefore collaborate with Liberian organizations to try and strengthen leadership and local government in the villages.”

Not every village is keen on having their own palm oil plantation. Stam explains the situation by using an example from her own life in The Netherlands. “I am from Monnickendam, a little town. I imagine what it would be like to develop a plan, together with neighboring villages such as Zuiderwoude and Broek in Waterland, that our economic future would depend on. That would be a difficult task. The

same applies for the Liberians. It seems that some of the villages will cooperate and that a couple of them do not want to depend on GVL and world trade. They rather wait first and learn from other participating villages.”

Stam is hopeful when she talks about the effect of the AndGreen.Fund on the local people of Liberia. But she will not boast about it, although there is reason to.

So, this is an unique project in Liberia?

“Yes, this is done for the first time.”

And also unique to the continent of Africa?

With hesitation: “Well yes, also to Africa.”

And also unique to the whole world?

After an even longer pause: “Yes, also to the whole world.”

How to redistribute the land?

Nienke Stam’s team of IDH visits the villages in Liberia, together with palm oil company GVL and the Liberian government. Armed with a radio play in the local language and a mini-poster, in which the partners explain with images and short texts how inhabitants will benefit from the proposed approach.

On this ‘*information poster*’ Stam points out a drawing of a green pie cut into strange pieces.

Not equal pieces, but a huge one to symbolise the tropical forest. Stam explains: “The community should have sufficient land to be able to permanently preserve 1,250 hectares of forest. It is of course allowed to do a bit of hunting, but not on protected species. Also the so-called ‘non timbre forest products’ may be collected, like roofing material and fruits. On the condition that its use is long-lasting. If this is done well, the village will receive a yearly income as a bonus, fully funded by the proceeds from palm oil.”

A much smaller piece of the pie on the drawing represents the palm oil plantation. A minimum of 250 hectares is needed to make it economically viable. The community receives a loan to develop their own plantation. The money should be repaid in fifteen years from their profits of the palm oil seeds sold to GVL. Palm trees grow quickly and produce crops already in the fourth year”.

How can Liberians look after their plantation? They have never done it before, so will this go well?

Stam: “GVL professionally maintains the plantation for the community until the loan has been repaid. Recruits from the community will be employed and taught how to look after the plantation. They will receive a salary.”

The pie also has pieces for the village and for farmland to grow their own food. The actual geographic allocation of the land will look quite different, but the infographic provides insight in the proportions: for every hectare used to produce palm oil, five hectares of forest must remain untouched.

Stam: “The intention is that the selected forests form a contiguous belt, starting at the Sapo National Park up to the coast.”