

# A FRAMEWORK FOR COMMUNITY BENEFIT SHARING MECHANISMS

## Design and Implementation of CBSM for Forest Conservation in Liberia

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### EXECUTIVE SUMMARY

- **Introduction**
- **Case Studies**
- **Recommendations for the PPA**
- **Recommendations for the REDD+ MRV framework**

This report is commissioned by IDH, the Sustainable Trade Initiative. This report provides recommendations on how to design a community benefit-sharing mechanisms (CBSM) for the Production-Protection Approach project of IDH in Sinoe county based on best practices of operational CBSM in Liberia. Together with the FDA and IDH 6 case studies were selected for research on best practices with regards to benefit distribution for community and livelihood development. The relevance of this report lies in a) a comprehensive overview provided into operational community benefit-sharing mechanisms (CBSM) in Liberia and b) recommendations on how to design an effective CBSM in Liberia for the PPA, REDD+ and other projects.

Community benefit-sharing mechanisms refer to transformation of *funds* from forest resources into fair and equitably allocated *benefits* with additional and permanent outcomes for communities

Liberia's forests are under pressure from forest activities such as mining, logging and agriculture. Communities, a key and vulnerable stakeholder in the forest landscape, can be incentivized to mitigate deforestation and forest degradation through fair and equitable distribution of benefits. Types of benefits include productive and non-productive, monetary and non-monetary and performance and input-based benefits. Through effective distribution of benefits via CBSM, Liberia's forests can be used to their potential: to mitigate climate change, spur sustainable economic development and empowering communities living and working in the forest.

### **Case Studies**

The following 6 case studies were selected: Zor, Rivercess, Leagbala, Nitrain, NBST and CSDF. The Zor and Leagbala mechanisms represent best practice in terms of performance-based payment for forest conservation and are funded in the inception phase through grants and private sector funding. Furthermore, the Leagbala and Zor cases emphasize the need to involve communities in monitoring and sanctioning design for understanding, legitimization and effectiveness of these systems. Also, the Leagbala CBSM manages conditional productive investments, a type of benefit applicable to the PPA context and promising in terms of generating additional and permanent outcomes. The Rivercess case study concerns benefits from timber harvesting and the importance of capacity building for communities on governance and fund management issues for sustainable

agreements. The Nitrain Community Development Fund manages the land rent shares and stresses the importance from bottom-up design and planning of a CBSM. The CSDF fund concerns iron ore extraction compensation and is fit to purpose for the county-level, building on regional priorities and governance structures. Lastly, the NBST is a national body that distributes timber harvesting and land rental fees to affected communities and monitors benefit package implementation.

The 6 case studies are categorized according to condition of disbursal and scale of operations (national, sub national, input-based, performance-based):

CBSM typologies	Input-based	Performance-based
National	NBST	
Subnational	CSDF, Nitrain, Rivercess	Leagbala, Zor

**Recommendations for the PPA**

The assessment of the 6 case studies yielded the following recommendations and best practices:

- Type of CBSM for PPA design: IDH is recommended to select a performance-based, sub national mechanism as the CBSM type to serve PPA project objectives
- How to design a CBSM for the PPA: IDH is recommended to use the PPA CBSM framework (see below) as a basis for PPA CBSM design and implementation

This CBSM framework for the PPA presents the best practices from the 6 case studies and is applicable to the participatory design process led by IDH with regards to the PPA Sinoe.

PPA characteristics	Recommendations
Beneficiaries	<ol style="list-style-type: none"> <li>1. GVL host communities involved in forest conservation and/or eligible for COP production. Include <i>all</i> communities working or living in/near the forest in setting criteria for eligibility for benefit package, irrespective of (soil) suitability for COP production</li> <li>2. to limit grievances apply a 3.5 km buffer zone</li> </ol>
Type of benefits	<ol style="list-style-type: none"> <li>1. type: productive, non-monetary benefits: investments in community oil palm (outgrower scheme)</li> <li>2. importance of a mix of benefit types: investments in productive benefits serve to achieve additional and long term outcomes. Productive investments (PPA’s SME support) support policies on private sector development for sustainable economic growth and empower communities by creating jobs, direct income and increase profit upstream. In addition, non-monetary, non-productive benefits such as roads and healthcare as seen in majority of case studies are important enabling conditions for community development</li> <li>3. agreement on benefits: beneficiaries should be involved in decision-making on the type, criteria, amount and transfer process of the benefit packages <i>before</i> signing the PPA</li> </ol>
Monitoring and Reporting	<ol style="list-style-type: none"> <li>1. who: multi stakeholder body (PPA-MSB: communities, company, civil society and government) as the highest body to monitor and report on PPA compliance and performance (multi-stakeholder to ensure all actors subscribe to the rights and obligations of the PPA); PPA-MSB is subject to monitoring through annual external audit</li> </ol>

	<ol style="list-style-type: none"> <li>2. who: forest protection committee (FPC: community, FDA, civil society) to (bio)monitor and report on unauthorized incidents and violations in the forest (logging, hunting, new trails) to the PPA-MSB</li> <li>3. who: COP committee (COPC: community, GVL, civil society) to assess and monitor COP production related activities and report to PPA-MSB</li> <li>4. point of attention: in this pilot stage, it is of utmost importance to closely monitor benefit package <i>implementation</i> progress to sustain commitment <i>especially</i> from communities for the PPA</li> </ol>
<b>Institutional Framework</b>	<ol style="list-style-type: none"> <li>1. Production-Protection Agreement (PPA), a legal document authorized by the government of Liberia between concession holder and host communities</li> <li>2. institutional arrangements: community as permit holder (e.g. CFMA permit<sup>1</sup>), community permit pertaining to a minimum of 400 ha of land (minimum for COP farm), duration/term of agreement between concession holder and communities in line with PPA/COP program cycle</li> </ol>
<b>National or Sub national mechanism</b>	<p>Sub national mechanism (GVL concession level)</p>
<b>Input-based or Performance-based Mechanism</b>	<ol style="list-style-type: none"> <li>1. performance-based mechanism<sup>2</sup> (PPA principle: forest conservation in exchange for investments in COP production)</li> <li>2. performance-based mechanism requires initial/start-up funds to help communities choose conservation in exchange for productive investments</li> <li>3. a performance-based mechanism (its principles and actions and the link with conditional income) are better understood, integrated and safeguarded if communities engage in self-monitoring</li> <li>4. wider significance of PPA: this performance-based mechanism can feed into the national REDD+ MRV framework</li> </ol>
<b>Fund Management</b>	<ol style="list-style-type: none"> <li>1. who: PPA-MSB creates charter, appoints signatories, establishes bank account, responsible for financial management (budgeting, expenditures, financial accounting, periodic reporting and periodic audits)</li> <li>2. amount: annual calculation with communities present; estimated annual amount per community should be stipulated in the PPA upon signing</li> <li>3. distribution/transfer: stipulate transfer dates upfront in the PPA; clear communication on amount and transfer date via radio and community liaisons of utmost importance; distribution on the basis of activity proposal</li> <li>4. point of attention: limit the amount of “middlemen” in the transfer process from source to beneficiaries provided that accountability and transparency are ensured; if conservation performance are delivered communities are entitled to the benefits, thus incorrect implementation of benefits should be met with increased assistance and monitoring in future activities, not with withholding benefits</li> <li>5. contractors: adopt simplified PPCC procurement process (integrity element) to ensure accessibility and keep process fit-for-purpose; pre-financing conditions for contractors ensure commitment and accountability</li> <li>6. enabling conditions: PPA mechanism should be supported by national banking system that can be successfully accessed in rural areas (or via</li> </ol>

<sup>1</sup> Provided that commercial or multiple use includes agricultural development; Compliance with FPIC involves formation of governance bodies before selection of forest (resource) use

<sup>2</sup> Case studies Zor and Leagbala are similar types of CBSM

<p><b>Governance</b></p>	<p>Monrovia diaspora)</p> <ol style="list-style-type: none"> <li>1. PPA Multi Stakeholder Body (PPA-MSB) as the highest decision-making body responsible for holding funds in trust (signatories) and fund management, community consultation, dispute resolution, quarterly monitoring and evaluation, activity and expenses approval, commissioning annual external audit. PPA-MSB governance structure: communities, company, civil society and government</li> <li>1. PPA level forest conservation committees (FPC): focal point for communities on conservation, annual forest conservation plan, monitoring and reporting and advising to PPA-MSB next to community self-monitoring, outreach and awareness. FPC governance structure: community members, FDA, civil society, encompass all communities and all social groupings</li> <li>3. COP farm level committee (COPC): focal point for communities on production, assess activities, monitoring and reporting and advising to PPA-MSB. COPC governance structure: communities, GVL, civil society, encompass all communities and social groupings</li> <li>4. considerations: terms for elected officials for these governance bodies should relate to the 15 year PPA loan period; through elections monitored by the FDA and civil society; capacity building for communities in negotiating skills as well as participatory inclusion in governance bodies (gender equality in governance bodies is greatly helped by written and non-written measures (e.g. theater) to optimize active participatory inclusion of women and their opportunities within the governance structure<sup>3</sup>)</li> </ol>
<p><b>Penalty system</b></p>	<ol style="list-style-type: none"> <li>1. communities: gradual sanctioning system for non-compliance with PPA executed by the PPA-MSB, for example: <ul style="list-style-type: none"> <li>Step 1: resolve within the community</li> <li>Step 2: 10% reduction of benefit package if inadequately solved</li> <li>Step 3: 50% reduction of benefit package</li> <li>Step 4: termination of the PPA</li> </ul> </li> <li>2. points of attention: utilize existing social structures in the design of the monitor- and sanctioning system for optimal effectiveness; involve communities in sanctioning process (calculation of reduction and procedures) to ensure system is understood and recognized as legitimate; reduction of benefit package should exclude basic services such as healthcare and education; communicate to communities the distinction between violation of the PPA and violation of overarching national laws and subsequent legal action to safeguard sense of justice/legitimacy</li> <li>3. company: in case of non-compliance with the PPA the company, in addition to PPA obligations, will pay a fine to the host communities to be invested in community benefits</li> <li>4. point of attention: design sanctioning systems for accountability for all stakeholders, <i>especially</i> implementing partners, to keep widespread commitment to the PPA process</li> </ol>
<p><b>Dispute resolution</b></p>	<ol style="list-style-type: none"> <li>1. PPA-MSB is focal point for complaints (with officers available within the communities to note complaints)</li> </ol>

<sup>3</sup> Other recommendations to ensure inclusion of women: establish women's groups (e.g. saving facility) to influence social norms and perception on women's abilities and strengthen female collective identity and self-confidence (in public and on household level); make governance bodies mixed (50/50) from establishment in order to avoid feelings of entitlement; collective action when transgressing the norm on gendered task division

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|  | <ol style="list-style-type: none"><li>2. PPA-MSB develops dispute resolution guidelines for PPA related complaints plus external grievance mechanism for complaints on MSB governance</li><li>3. provide capacity building for conflict management and mitigation to communities</li><li>4. guidelines can benefit from the set-up by GVL and CFMA Zor</li></ol> |
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### ***Recommendations for the REDD+ MRV Framework***

Liberia has committed to developing a national REDD+ strategy for implementation. The REDD+ program is structured into three phases:

1. Readiness and capacity building
2. Implementation of policies and measures
3. Payment for performance

In light of phase 3, this report on community benefit-sharing mechanisms (the distribution of payments) is highly relevant for the effective implementation of the national REDD+ strategy for Liberia. The 6 case studies in this report (input, performance, national and sub national) are complementary and support the design of a successful REDD+ MRV framework in Liberia in different ways:

- Performance-based mechanisms (cases: Zor, Leagbala) are excellent test cases for REDD+ phase 3. The design, implementation and results from these mechanisms can feed into the design of a REDD+ MRV framework for Liberia;
- Input-based mechanisms (cases: Rivercess, Nitrain, NBST, CSDF) accelerate REDD+ readiness on the level of phase 1 and 2. Through policy-making, institutional reform and capacity building these mechanisms prepare for phase 3 of REDD+. Furthermore, input-based mechanisms are fit-for-purpose in the context of Liberia where national MRV capacity is low at the moment. Also, benefits stemming from input-based mechanisms can be an incentive for REDD+ supportive policy-making and facilitate the shift to performance-based payments;
- National mechanisms (NBST) are an excellent test case for distribution of payments for performances at a national level on the road to the national REDD+ strategy implementation;
- Sub national mechanisms (cases: Zor, Rivercess, Leagbala, Nitrain, CSDF) are the product of bottom-up needs and interests regarding REDD+ objectives, providing a wealth of contextual information and increasing effectivity; needs institutional REDD+ needs and the relatively small scale of the mechanism allow for flexibility and improvement through trial and error to accelerate the REDD+ projects towards phase three