

SPOTLIGHT ON THE BENEFIT SHARING MECHANISM IN THE FORESTRY SECTOR OF LIBERIA

Department of Community Forestry Forestry Development Authority (FDA)

1. Background

Liberia has just emerged from 14 years of brutal civil war, which left the country shattered, and with little capacity to function. The civil war has its roots in the governance structure of the country over the years, which characterized itself through the centralization and control of power by the few to the exclusion of the majority of Liberians in the decision making process. Development was top to bottom approach, with little input from the society outside government. Each ministry defined its goals and visions in isolation of that of the nation. The result was a fragmented approach to development, with a short to medium focus. Most development initiatives were therefore not sustainable as the people for whom they were designed did not have a sense of ownership of these initiatives and did not have in their design; the forestry sector was no exception.

It is in awareness of this that the New Forestry Reform Law of 2006 was enacted by the National Legislature anchoring in the 3cs (Commercial, Conservation and Community) policies whose result brought about the Community Benefit Sharing Scheme and, decision making process in the Forestry (NFRL 2006 chapters 14.2 e & f and 19.1 a & d).

According to Regulation 106-07 Part three section 31-34, "Benefit Sharing with Community" of the Ten Core Regulation – "The National Benefit Sharing Trust should be established at the Central Bank of Liberia where all timber revenues allocated for use by the Communities" is deposited.

2. Status of the National Benefit sharing Trust:

In furtherance of the Government desire to ensure that the people most affected by timber extraction have shares in its benefits; the following were achievement:

✓ **Regulation No. 114-10 -Procedures to Access and Manage Funds on Behalf of Affected Communities;**

Purpose: The Regulation implements the requirements of the National Forestry Reform Law of 2006 that the Authority establishes a fair and transparent procedure for allocating a designated percentage of land rental fees to counties and to communities entitled to benefit sharing under Forest Resources Licenses.

✓ **National Benefit sharing Trust Board set-up;**

✓ **notarized letter of authorization introducing the signatories to the trust account submitted to Ministry of Finance and Central Bank as well as the trust Board members;**

3. Trust Board Institutional Structure

The Trust Board is composed of fourteen (14) persons as follows:

- (a) Two (2) Paramount Chief;
- (b) One (1) representative of the Forestry Development Authority (FDA);
- (c) One (1) representative of Civil Society Organizations;
- (d) One (1) Logging Industry representative;
- (e) One (1) representative of the Ministry of Finance;
- (f) One (1) representative of the Ministry of Internal Affairs;
- (g) Six (6) representatives of the Union of Community Forestry Development Committees, two (2) from each of the three (3) regions recognized by the Union of CFDCs;
- (h) The International donor organizations and the international non-governmental organizations shall have one representative on the Board. However such representatives shall serve as an observer to the proceedings of the Board and therefore in this light cannot be permitted to vote and shall not contribute to the quorum even though he/she may take an active part in any proceeding.
- (i) Two (2) appointed *ex officio* members shall be permitted to sit on the Trust Board. Such members shall not be permitted to vote and shall not contribute to the quorum. Nominations shall be proposed at the first sitting of the Trust Board by the Authority and approved by a two-thirds majority.

4.Functions of the Trust Board

The Trust Board shall:

- (a) Hold in trust, manage, and supervise the land rental fee funds received for the benefit of Affected Communities.
- (b) Receive and review applications for funds submitted by Community Forestry Development Committees on behalf of Affected Communities.
- (c) Disburse funds to Community Forestry Development Committees for projects/programs approved for the Affected Communities.
- (d) Track the Land Rental Fees paid by Holders to ensure that the Communities receive their benefits.
- (e) Supervise the Cubic Meter Fees received for the benefit of the Affected Communities.
- (f) Commission an annual independent audit as required by Section 33(e) of Authority Regulation 106-07.

- (g) Every three (3) months, with the assistance of the Monitoring and Evaluation Committee, provide a report to all Community Forestry Development Committees detailing the financial status of the Fund. The report shall include the Trust's income and expenditures for that respective quarter.
- (h) Provide to the public every six (6) months, a report detailing the activities and financial status of the Trust Board. The report shall include Trust Board decisions, complaints levied against the Trust; Trust Board meeting minutes, income and expenditure, and the independent audit report;
- (i) At the written request of an Affected Community, the Trust Board may supervise the Cubic Meter Fee established under Section 34 of Authority Regulation 105-07. In its supervisory role, the Trust Board may advise CFDC on receipt and collection of the Cubic Meter Fee and act as repository and forum for complaints issued by Affected Communities on any issue related to Cubic Meter Fees. It may also intervene on behalf of an Affected Community on any issue related to Cubic Meter Fees, based on a written request.
- (j) The Trust may be vested with the authority, through any subsequent legal instrument, to manage and serve as the distribution mechanism for new revenue sources that may arise from new forms of benefits, including but not limited to, **carbon concessions, payment for ecosystem services, and agricultural concessions.**

5. Responsibilities of the Board of Trustees

The Trust Board shall:

- (a) Establish a Project Technical Review Committee to thoroughly review Community Forestry Development Committee project proposals for financial feasibility, market acceptance, organizational capacity, and past performance on similar projects.
- (b) Develop guidelines and templates to determine, among other things, how Community Forestry Development Committee funding requests are evaluated and how the Trust account will be managed.
- (c) Based upon the recommendations of the Project Technical Review Committee, review and endorse project proposals submitted by Community Forestry Development Committees.
- (d) Transfer funds from the Trust escrow account to the Community Forestry Development Committee accounts for the implementation of approved projects.
- (e) Establish a Monitoring and Evaluation Committee to evaluate project successes, Community Forestry Development Committee reporting, and Trust reporting.
- (f) Review and act upon progress reports submitted by the Community Forestry Development Committees based upon the recommendations of the Monitoring and Evaluation Committee.
- (g) Receive requests from and, to the best of its ability, provide assistance to, Affected Communities and/or Community Forestry Development Committees that cannot resolve disputes between the Affected Community, a Committee, a Holder, and/or the government.
- (h) Serve as an advocate for Affected Communities if new policies are being discussed that might affect the revenues of Affected Communities.

6. FUND DISBURSEMENT PROCEDURE

Accrual of Funds

- (a) It is possible that funds allocated to a Community Forestry Development Committee are not immediately used. Given that the funds are distributed to the Community Forestry Development Committees on a *pro rata* basis consistent with land rental fees paid for a given Forest Resource License, the funds are considered the property of the Affected Community, and are to be held in trust until such time as the Committee requests the funds.
- (b) Community Forestry Development Committees shall be entitled to receive thirty percent (30%) of land rental fees where Holders have paid the entire amount of fees due. If a Holder has failed to pay its land rental fee in full, the Committee is entitled to whatever amount the Holder has paid in any given year.
- (c) If the Community Forestry Development Committee represents an Affected Community covering the entire concession, then the Community is entitled to thirty percent (30 %) of the entire land rental fee. However, if the Community Forestry Development Committee represents a Community that covers only part of the concession (when a concession is divided into more than one Committee) then the Affected Community is entitled to thirty percent (30 %) of the land rental fee for that proportion of the contract area under its jurisdiction.
- (d) Affected Communities shall not receive any land rental fee where the Holder has not paid any land rental fee payment due.
- (e) The Trust Board shall not disburse more than seventy-five percent (75%) of the principal in the first two (2) years of the Trust Fund coming into operation; thereafter, the principal and one hundred percent (100%) of the interest accruing may be applied to finance community projects.

8. Distribution of and Accessing the Benefit

Community Forestry Development Committees shall submit written project proposals to the Trust Board requesting funds for a specified project. These project proposals shall include the following:

- (1) A detailed description of the need for the project and its beneficiaries (including the specific towns or villages to be benefited);
 - (2) A detailed description of how the project will be implemented and the timeframe for completion; and
 - (3) A budget that includes the total cost of the project, giving a breakdown of the amount for labor, materials, transportation, etc.
- (f) Each Community Forestry Development Committee shall open an account in any recognized local commercial bank.
 - (g) There shall be three (3) authorized signatories for each Community Forestry Development Committee's bank account:
 - (1) First Principal Authorized Signatory;

(2) Second Principal Authorized Signatory; and

(3) Third Principal Authorized Signatory.

(b) All withdrawals from the account shall require the authorization of the First and either the Second or the Third Authorized Signatory. A withdrawal authorized by only the Second and Third Authorized Signatories shall not be considered valid, or shall be declared null and void unless the withdrawal was taken with the prior written approval of the Trust Board.

(c) Prior to the award of a project, the Community Forestry Development Committee shall, with input from their Affected Community, draft a Constitution that will ensure transparent and accountable management of funds.

(d) The Community Forestry Development Committee shall submit to the Trust Board a progress report every three (3) months regarding the status and/or completion of the project. The Trust Board, through the Monitoring and Evaluation Committee, may evaluate the progress of and satisfactory completion of a project on an ad-hoc basis.

9. Distribution of funds in keeping with SGS report

NO.	Company	Contract Area	Amount Paid(USD)	30% for Affected Communities	30% for the 15 Counties
1.	Tarpeh Timber Company	TSC-A2	6,250.00	1,875.00	1875.00
2.	Bargor and Bargor Enterprises Inc.	TSC-7	6,250.00	1,875.00	1,875.00
3.	B & V Timber Company	TSC-A9	6,250.00	1,875.00	1,875.00
4.	Alpha Logging & Wood Processing	FMC-A	298,100.00	89,430.00	89,430.00
5.	EJ & J Investment Corp.	FMB-B	143,155.00	42,946.50	42,946.50
6.	Liberia Tree & Trading Company	FMC-C	148,435.00	44,530.50	44,530.50
7.	Euro Liberia Logging Company	FMC-F	634,175.00	190,252.50	190,252.50
8.	Geblo Logging Company	FMC-I	328,655.00	98,599.50	98,599.50
9.	International Consultant Capitol	FMC-K	667,275.00	200,182.50	200,182.50
10	Atlantic Resources Limited	FMC-P	298,360.00	89,508.00	89,508.00
	TOTAL		2,536,905.00	761,071.00	761,071.00

Cubic meter fees directly to communities

company	Contract area	amount
Liberia Tree & Trading Company	FMC-C	US\$ 88,884.92
Sun-Yeun	TSC –A 16	USD 3,800.00
B & B	TSC-A7	USD 3,633.00
Tarpeh Timber Company	TSC-A2	USD 5000.00
Akewa Groups	TSC-A3	UD\$3,275.64

Note: these funds are paid directly to the communities 'established accounts.

References: field reports SGS report

10. Lesson Learned:

- € The increased recognition of communities' by Government on their rights to forests and growing private investment in the sector present additional opportunities for using forests to alleviate poverty.
- € benefit-sharing arrangements that involve communities, private entities, or Government offer a way of structuring forest activities that benefit forest-dependent communities
- € Benefits that sharing mechanism addresses points that promote agreement-keeping, including Practicality, verification, communication, and Incentive is sustainable.

11. Challenges:

- € multiple interest in negotiating the terrain of benefit sharing and the constitution of the board
- € Logistical support to facilitate meetings
- € Communication (reaching members of the CFDC on for discussion)

12. RECOMMENDATIONS

- € Capacity building for community, CSO, FDA, and CFDC specifically skill in community based enterprise development, conducting participatory, capacity need assessment, preparing proposal budget, reporting, etc.

- € Ensure the functioning of the Benefit Sharing Trust Fund mechanism by supporting CFDCs to develop viable proposals for submittal to the Trust and by supporting the Trust's outreach and promotional capacity so that it may engage with communities through the CFDCs.