HIGH CARBON STOCK +

Consulting Study 17:

Palm oil in Liberia: Missed opportunities and second chances

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This report has been independently prepared by the author for the High Carbon Stock (HCS) Science Study. It is part of a series of consulting studies on high carbon stock, in the areas of biomass estimation, soil carbon dynamics, remote sensing and socio-economics. Together, these consulting studies provide background information for the HCS Science Study's synthesis report, but also they constitute stand-alone research that aims to shed light on this critical area of enquiry.

Contents

Executive Summary

The large-scale palm oil sector in Liberia has come a long way since its early difficulties. Once production starts to come on-stream from 2016, the positive benefits it is already bringing to the country will become even more visible. The sector has yet to live up to its full potential to contribute to the poverty alleviation and development that the country so desperately needs however. Delays in original planting timetables have arisen to some extent due to factors beyond the immediate control of the three major companies that are active in the sector. These include the Ebola crisis of 2014-15, as well as the self-imposed year-long moratorium as part of this HCS study that has temporarily halted the expansion of two of these. The limited ability of the government to play the requisite supportive role, whether in terms of establishing a conducive environment for complementary business and agricultural activities or promoting the relevant institutional development, represents a further key constraint to any broader positive impacts from the sector.

The delays have also been due to problems relating to the companies' concession agreements and to flaws in their initial approach. These agreements allocated vast tracts of supposedly unencumbered land to them, much of which was in fact already occupied under customary and private land tenures. The companies then failed to establish effective relationships with the affected communities or to implement adequate FPIC processes or socio-economic assessments before attempting to start their operations. The ensuing conflicts with communities resulted in formal complaints to the Roundtable on Sustainable Palm Oil (RSPO) against all three companies, all related to the conversion of land without prior consent, and has generated major criticism of the sector both locally and internationally. The companies have since taken significant steps in response, including through compensation arrangements and greater provision of social infrastructure, as well as the establishment of mechanisms to promote more effective and transparent interactions with affected communities. These efforts should contribute to far less conflictual land negotiation processes once expansion resumes, that are based on more reciprocal relationships between companies and communities. All the RSPO complaints have now been resolved and communities are actively inviting companies into their areas.

Concerns remain however about the future development of the sector, especially in relation to land pressures which can only intensify as the plantations grow and as greater environmental set-asides are required, including to protect High Carbon Stock (HCS) forests. Companies must ensure that they leave sufficient livelihood set-asides for agricultural activities beyond the plantations in order to avoid sparking further tensions. Additional land will also be required for the out-grower schemes promised in the concession agreements, as well as for the associated development of the independent smallholdings that have played such an important role in generating broader positive impacts from the sector in Southeast Asia. These have even greater potential in West Africa given the extensive existing informal production of palm oil to serve the high levels of domestic and regional demand.

This smallholder sector could be significantly boosted by support from the companies in the form of the provision of seedlings, technical advice, processing and marketing, as part of their efforts to generate greater socio-economic benefits in line with evolving commitments in this regard. This would also contribute to higher levels of production to substitute for the inevitable reduction in the size of plantation areas due to environmental and livelihood set-asides. The reconceptualisation of the large-scale oil palm sector in this way, as part of a broader mosaic of agricultural and related activities, would go a long way to addressing ongoing criticism of the sector and to ensuring its positive contribution to a revitalised rural economy.

Section 1: Introduction

1.1 The High Carbon Stock study

The core issues that are addressed by this case study of the palm oil sector in Liberia are those raised by the overall study on High Carbon Stock (HCS) commissioned by the signatories to the Sustainable Palm Oil Manifesto (SPOM). One of the primary objectives of the HCS study has been to explore the question of whether thresholds for greenhouse gas emissions from the conversion of high carbon stock forests to oil palm plantations should be varied to take into account different socio-economic contexts. In other words, whether the developmental outcomes of palm oil production can be traded off against its environmental costs. The HCS study also aims to provide guidance on how to accommodate the rights and livelihoods of local communities affected by oil palm development.

The first objective is particularly pertinent in the Liberian context where the devastating effects of a decade and a half of violent conflict have contributed to some of the lowest development indicators anywhere in the world. Liberia's per capita GDP is just US$454,[1] and its Human Development Index score of 0.41 puts it 175th out of 187 countries in 2013.[2] While such extreme poverty would seem to justify greater flexibility in relation to environmental issues, Liberia's estimated 45% forest cover is the most important in its region, representing the largest remaining contiguous forest in the Upper Guinea basin.[3] It provides a habitat for diverse and unique flora and fauna as well as crucial ecosystem services at the regional level and beyond.[4] Given the clear urgency of both these environmental and developmental imperatives, the nature of any trade-off between the two would be extremely difficult to determine in practice.

Such a judgment would anyway require far greater understanding of the potential of the sector to contribute to the poverty alleviation that the country so desperately needs. Plantation agriculture has a chequered history in the country, and some question its ability to create the kind of sustainable and equitable development that would be necessary to justify further conversion of its valuable forest heritage. Much of this study is devoted to considering this question of impacts. Analysis of the country's historical agricultural development provides the context for the extended discussion of the post-war palm oil sector, with a detailed exploration of both aspects generating insights into the existing and expected socio-economic impacts of the sector.

Liberia's plantation sector, historically focused on rubber production, has a highly ambiguous record, with its undoubted contribution to the country's relative strong economic growth in the decades from the 1950s to the 1980s overshadowed by a troubled legacy of land expropriation, labour exploitation, excessive profit repatriation and minimal value-added in the form of processing of the raw product. Resulting doubts over whether a similar plantation model can really play a positive role in the country's future have been deepened by the difficulties that have beset the palm oil sector in the post-war period.

Many of the challenges facing palm oil companies in Liberia arise due to the difficulties of operating responsibly in a complex and unpredictable environment. Analysis of these constraints is a further focus of this case study, including the national and international institutional framework that governs the sector. Better understanding of these aspects can provide a basis for the development of more effective mechanisms to ensure that rights and needs are fulfilled. This will contribute to the second core objective of the overall HCS study which aims to provide guidance to companies on how to enhance the benefits generated by their activities and minimise any negative impacts. While this study offer some pointers in this area, it also underlines the need for much better assessment and measurement of the socio-economic impacts of companies' operations in order to inform more effective interventions to boost welfare.

[1] *http://data.worldbank.org/indicator/NY.GDP.PCAP.CD*
[2] *http://hdr.undp.org/en/*
[3] FAO 2010
[4] Evans and Griffiths (2013), p.25

1.2 Methodology

The study is based on a combination of desk and fieldwork. It draws on the broader academic literature on Liberia's economic history and that on the palm oil sector in the country in the post-war period. This includes a number of more detailed studies,[5] documentation by local and international NGOs of the tensions between communities and companies, and other reports by donors, NGOs and the government.[6]

This literature has been supplemented by limited primary fieldwork conducted in the operational areas of two of the three major palm oil companies. While this brief period of fieldwork lays no claim to rigor or representativeness, the deep experience of the local researcher who conducted it using participatory techniques has enabled it to contribute some useful insights that complement existing research on the issues.[7] A number of interviews were also conducted with company personnel in country and at head-quarters level as well as with other key stakeholders in the government and NGO sector. A list of interviewees is provided in Appendix. Earlier fieldwork is also referred to where relevant, including to inform some of the historical analysis, as are interviews conducted with key stakeholders in the context of other related research.

[5] Centre for International Conflict Resolution (CICR) (2012), Balachandran et. al. (2012), Evans and Griffiths (2013), Buntzel and Topor (2013), Forest Peoples Programme (FPP) (2012)

[6] Ministry of Commerce (MOC)/International Trade Centre (ITC) (2014), International Monetary Fund (IMF) (2008), Ministry of Agriculture (MOA) (2007) (2008), AIRECTS/ International Finance Corporation (IFC) (2008) Fricke (2010)

[7] Koffa (2015)a, (2015)b

Section 2: Palm Oil in Liberia in Historical Context

The plantation sector in the country has historically been dominated by rubber. Plantation production of palm oil is a more recent and smaller-scale phenomenon, although artisanal production is widespread, using palm fruit from wild groves or smallholdings to supply what is a major staple in the local diet. The rubber sector forms part of a broader concession-dominated economy which has been widely condemned for its contribution to the country's protracted political crisis. The historical literature abounds with analysis of the abuses of this extractive economy, its failure to generate sustainable development and its role in the country's dysfunctional political economy and associated conflict.[8] Since this critique forms the basis for misgivings about the apparent reversion to the same model for palm oil production, it is worth examining in some detail. Even though the historical rubber sector is of course not fully analogous to the present day palm oil operations, the clear similarities with the past, particularly the award of huge areas of customary land-holdings to foreign companies, have done little to assuage these concerns. As observed by one local commentator, '*this is not our first time experiencing plantation agriculture – we have a long history of this and we know that this model cannot bring us development*.[9]

2.1 The chequered history of plantation agriculture

The first major agricultural concession in the country was awarded to the Firestone Rubber Company in 1926, under great political pressure from the US government and on terms that were highly unfavorable to the country. The agreement gave the company rights over 1 m acres of land (404,685 hectares) for 99 years, at the peppercorn rent of 6 cents per acre per year. The land was appropriated by force from the local inhabitants, and those still alive continue to express a deep sense of injustice over this process.[10]

A further 1.2m acres (485,622ha) was allocated to four large rubber concessions in the 1950s in a similar manner, including Guthrie and Liberian Agricultural Corporation (LAC).

The already skewed arrangement with Firestone was manipulated further by the company through the use of transfer pricing to minimise taxes paid on profits among other well documented malpractices.[11] Although revenues generated by the company did make some contribution to the infrastructural and other development of this period, the blurred lines between public and private finances and the dominance of the country's small Americo-Liberian elite meant that they benefitted disproportionately.[12] Members of the elite also became directly involved in the rubber sector as discussed below.

The original concession agreement included a commitment from the government to provide workers to the company, reflecting the great reluctance of the population at that time to become wage labourers. A combination of punishment and rewards was used to ensure that hinterland chiefs fulfilled their allocations in a system that lasted until the early 1960s when it became illegal. Other forms of labour abuse continued, with collective bargaining banned and such onerous daily quotas that workers' children were required to help fulfill them. This latter issue, along with '*near-starvation wages*', formed the basis of a class action suit brought against the parent company in the US in 2005, highlighting just how sustained these labour malpractices have been.[13] Other reports described similar abuses including hazardous conditions, high quotas, long hours, low wages and squalid living conditions.[14] Labour conditions have since greatly improved, in part as a result of this increased attention and subsequent unionisation,[15] although they are still inadequate.

[8] Klay Kieh (2008), Sawyer (1992), Liebenov 1987, Hinzen. Eckhard and Kappel (eds.) (1980), Clower et.al. (1966)
[9] Interview with Green Advocates Director Alfred Brownell, Monrovia, August 2015
[10] Interview with Gregg Mitman, Monrovia, January 2014
[11] Carlsson (1980) in Hinzen et al. (1980)
[12] Liebenov (1987), Sawyer (1992)
[13] *http://www.laborrights.org/in-the-news/exploitation-liberia*
[14] Verite (2011), p.17
[15] ibid.

As implied by the low wages, the majority of jobs created at Firestone and other rubber plantations over the decades have been unskilled, with expatriates still dominant in senior management positions. The existence of large numbers of third generation rubber tappers symbolises for many the failure of the sector to generate the empowerment and social mobility that lie at the heart of the development process.[16] As the former head of the country's National Investment Commission (NIC) commented, '*is this really still all we have to aspire to for our youth - to become unskilled farm labourers, working under the hot sun ? What we need is a new model for development, not a return to the discredited past ones*.'[17]

This situation is in marked contrast to Malaysia where the movement away from agricultural labour has been achieved in little more than one generation. This reflects a far more effective management of the developmental process there, including the provision of education at all levels as an integral part of government-directed schemes such as Felda[18] Further evidence of this difference in approach, and the decisive role of such governance factors in shaping economic progress, is seen in the lack of value-added in the rubber sector in Liberia. The failure to produce anything locally from rubber despite its 90 year history in the country was laid bare in heart-breaking irony during the recent Ebola crisis, in the shortage of the rubber gloves that were so necessary for protection from the disease by those caring for its victims. Many donated rubber gloves originated in Malaysia,[19] which is the largest producer of them in the world, and which unlike Liberia has developed major up- and down-stream linkages in both its rubber and palm oil sectors. Liberia, in contrast, still exports two-thirds of its rubber in block form, with the remaining third minimally processed into liquid latex.[20]

This combination of a lack of added value, the persistence of low-skilled and low wage jobs and the failure of successive governments to alter this basic structure, has formed the basis of a strong critique of the rubber sector and the country's extractive economy. Such views are encapsulated in the title of the still influential 'Growth without Development' study of the early 1960s. This study suggested that the country's concession-based economic growth would have only very limited developmental impact, with linkages and multiplier effects constrained by its external orientation, and the elite monopolising any local benefits.[21] This analysis was reinforced in the 1970s by a broader critique of the internal structural problems faced by peripheral extractive economies and its application in the Liberia setting,[22] and became a crucial element of the intellectual underpinning of the growing opposition movement which finally removed the country's long-standing elite in a coup in 1980.

2.2 Beyond the plantation sector

The recent suggestion by the US Ambassador that for 'growth *with* development' to become possible, the country needs to move away from its current dependency on foreign concessions underlines the continued resonance of this analysis.[23] But however compelling, this critique of the plantation model represents only part of the historical story of commercial agriculture in Liberia. The rubber sector in fact started to expand beyond Firestone as early as the 1940s, as enterprising members of the elite began to grasp at the opportunities it offered. The process gathered momentum in the 1950s and '60s as some of the rents earned by the political class from the growing extractive economy were reinvested into rubber farming,[24] with an estimated 4,000 privately-owned smaller plantations or large small-holdings by the end of the 1960s.[25]

Elite-owned rubber estates entailed further expropriation of customary land, using a combination of deception and force. A common practice was to ply local chiefs with strong liquor before getting them to sign away the community land they controlled.[26] A small number of oil palm estates were also established at this time using similar methods, including one which became known as the 'peppermint candy' deal in a reference to the paltry compensation paid to the original land-owners.[27] Labour conditions followed those at Firestone, with quotas imposed on local chiefs if workers were not readily available, and very low pay. These upcountry rubber farms were also the preferred location for some of the more egregious sexual and other abuses of power by the elite that characterised this period, being well out of sight of the capital.

[16] Sen (1999)
[17] Interview with then NIC head, Natty Davis, Monrovia June 2012
[18] Khor et al. Case study on Felda for the HCS Study (2015)
[19] Including a consignment from Malaysian palm oil company Sime Darby
[20] Figures for 2006 from Verite (2011), p.13
[21] Clower et al. (1966) Growth Without Development
[22] Hinzen, Eckhart and Kappel (1980)
[23] *http://www.liberianobserver.com/news-politics/change-course-says-us-ambassador*
[24] Sawyer (2005)
[25] Lowenkopf (1976)
[26] Fieldwork in Margibi in 1990s
[27] Rochow and Brownell (2009)

But they also contributed to the broadening of the sector beyond the foreign-owned plantations and the gradual trickle down of its impacts that resulted. Local ownership ensured that the profits were reinvested in Liberia itself, despite some leakage on imported consumer goods, while growing competition for labour led to incremental rises in wages and gradual improvements in working conditions.[28] The demonstration effect then contributed to the further expansion of smallholdings as others with access to the necessary land and capital began to establish their own farms.[29] This included members of the indigenous elite as well as others who were benefiting from the general economic growth.[30] Firestone and the other plantations played a major role in this expansion, providing inputs in the form of seedlings and advice, as well as a ready market for the production, albeit at artificially low prices that they controlled.

The country's agricultural sector was then further boosted by the adoption from the early 1970s of a reformist strategy of economic diversification with a focus on agriculture.[31] This reflected a recognition of the need for the country to reduce its dependence on iron ore and rubber exports, which had accounted for the vast majority of its revenues throughout the 1950s and '60s. The reform process included the eventual renegotiation of the Firestone concession agreement despite considerable resistance from the company, which led to some improvements in labour conditions and social infrastructure provision.[32]

The new approach included increased budgetary allocations to agriculture, which accounted for 15-20% of government expenditure throughout the 1970s,[33] as well as the introduction of major integrated rural development programs (IRDPs) in selected counties, with the support of USAID and the World Bank. Initially focused on coffee and cocoa production, these later expanded to include rubber through the Liberian Rubber Development Program (LRDP).[34] The overall package provided by these projects consisted of initial inputs and ongoing extension services for farmers, subsidised loans from an agricultural development bank established specially for this purpose, and a market for production in the form of the Liberian Produce Marketing Board (LPMC).[35]

Up to 20 oil palm plantations were also established during this period throughout the country, ranging in size from less than 200 ha to 4,400 ha, with approximately 27,000 ha planted out of a potential allocated area of around 50,000 ha.[36] Many of these were established by the LPMC itself and operated as co-operatives by small-holder farmers who sold their produce to the LPMC in a similar fashion to coffee and cocoa growers.[37] Most had mills of varying sizes as well as storage and transportation facilities. These plantations generally planted improved *tenera* varieties of oil palm rather than the local *dura* variety that grows wild throughout the country and which is the much preferred source of cooking oil locally.

Effective implementation of this agricultural diversification strategy was seriously hampered by the lack of government capacity as well as the inevitable corruption, which meant that only a proportion of allocated funds ever reached their intended goals.[38]These institutions were nevertheless functional to some extent, with inputs provided and outputs produced, and farmers themselves did ultimately benefit as planned from the policy through the incomes they earned from their cash-crop production. At the same time the revenues generated by the larger-scale extractive sector including rubber, despite structural short-comings and continued capture by the political elite, were contributing to the expansion of the public sector and to increased investment in economic and social infrastructure. These processes ultimately combined to generate a real multiplier effect in the broader economy. This was concentrated in the informal sector, in the form of rising demand for complementary services such as transport and construction, continued reinvestment of income in productive activities, and the ubiquitous trading of goods of all kinds. In other words, the development process did begin to happen, eventually.

These processes are difficult to trace precisely, in part due to their inherently informal nature. The dynamism of the rural economy was also overshadowed by the broader downturn in the formal economy from the late 1970s and associated political upheavals of this period and since. There is little available analysis of the IRDPs themselves beyond a handful of policy documents

[28] Lowenkopf (1976)
[29] Fieldwork in Margibi in 1990s
[30] Murphy 1980
[31] Ministry of Planning and Economic Affairs (MPEA) Bulletin (1979)
[32] Carlsson 1980
[33] MPEA 1979
[34] World Bank 1984
[35] bid.
[36] AIRECTS/IFC (2008), p. 15
[37] ibid., Annex 8
[38] World Bank 1984

concerned more with implementation challenges than impacts.[39] Some evidence of the booming small-scale cash-crop sector is provided by the small but growing share of coffee and cocoa in national export figures however. Exports of these crops had reached US$5m a year by the late 1980s, having been negligible a decade earlier, with growing palm oil production contributing another US$5-10m annually.[40] The growth of the service sector also attests to the multiplier impacts that were finally being generating by the productive sectors, rising from only 2% of GDP in the early 1960s to reach 34% by the late 1970s.[41] The country achieved middle income status in the late 1970s and although macro-economic indicators declined during the 1980s as the formal sector stagnated, the momentum already created allowed the buoyancy of the rural informal sector to continue.

There is plenty of anecdotal evidence of the relative vibrancy of the rural economy during this period. In the course of fieldwork conducted in the 1990s, farmers across the country repeatedly described the size and productivity of their pre-war cash-cropping activities, including crops for export such as coffee, cocoa or rubber and those for domestic consumption, particularly sugar cane, which was very widely produced for processing into rum or cane juice, as well as various other fruits and vegetables. This was in addition to subsistence crops, other artisanal activities and income from seasonal or more sustained wage labour.

One typical village had 5 steel mills producing cane juice, each of which cost US$10,000, as well as coffee, cocoa and banana plantations, large rice and cassava farms, and numerous other fruit and vegetable crops for consumption and local and regional sale. Annual earnings from coffee for the three or four biggest farmers had exceeded US$25,000, which was invested in housing, other productive activities, and children's education. Some of these children attained sufficient levels of education to enable them to move beyond the agricultural work of their parents, while the larger farmers were able to employ labourers, a common practice among successful Malaysian small-holders. Despite low wages, labour in the plantation and concession sector represented an important input into this process by providing a mechanism for capital accumulation. As one villager put it, '*when the people were forced to go to Firestone, we pitied them. Then they returned with money, they built good houses, made their farms, even bought cars, and we felt jealous*'.[42]

Despite the undoubted validity of the critique of the historical model of plantation agriculture, it fails to acknowledge the important and positive role that the sector has played in the country's development in the decades preceding the conflict. While higher wages and better employment conditions, less inequitable forms of land acquisition, less profit repatriation and more value-added activities would certainly have boosted this impact considerably, their absence does not negate what has been achieved. But it was the combination of the plantation sector with the growth in smaller-scale informal activities following the intervention of the government and international agencies that generated the critical mass necessary to trigger the development process. This then gained its own momentum which continued despite the slow-down in formal level activities, low wages and crop prices, and despite the corruption of the institutions involved.

The lessons for the post-war period are clear. Plantation agriculture has made an important contribution to the development process despite its short-comings, including through the demonstration effect for smallholders and the provision to them of access to seedlings, techniques and markets, as also experienced in Malaysia and Indonesia. It cannot create the momentum necessary to generate economic growth alone however, and must be complemented by broader efforts to support the regeneration of smaller-scale activities from the government and/or international donor agencies. The lack of support in the post-war period for either out-growers or independent small-holders in the palm oil sector, or for other small-scale cash-cropping, is one reason why the sector has so far failed to have anything like the positive impact that it could. The other reasons relate to the failure on the part of the government and companies to shift decisively away from the discredited aspects of the plantation model of the past, as now discussed.

[39] WB 1984
[40] IMF 1989
[41] MPEA Bulletin 1979
[42] Fieldwork in Lofa county June 1998

Section 3: The post-war palm oil sector

The need for a fundamentally different approach to economic development has been clearly recognised by the government since the end of the conflict, and set out in various policy documents such as the 2008 Poverty Reduction Strategy (PRS). This states, '*the secretive special deals of the past that benefitted a few to the detriment of the majority will be replaced by transparent agreements with fairer terms and stronger mechanisms to ensure the proper distribution and spending of funds, (with) concession revenue used to promote welfare.*'[43] The importance of agriculture as the backbone of the country's economy and a key mechanism for reducing rural poverty has also been repeatedly acknowledged, including in detailed policy papers in 2007 and 2008.[44] Given its suitability to the Liberian conditions and its major contribution to Southeast Asian economic growth, the development of palm oil specifically has become a priority for the government, with the strategic objective for the sector set out recently: '*to establish (it) as a leading contributor to the national economic transformation agenda through export development in an inclusive and sustainable manner.*' [45]

One study suggested that the planned development of 500,000 ha of oil palm could provide an estimated 90,000 direct and indirect jobs and support 30,000 out-grower or small-holder families, with significant multiplier effects. [46] This hectarage could generate revenues of US$750-1,125m/year for operators once peak yields had been attained from year 7-10 onwards. Although this projection was based on the higher prices at the time it was written,[47] it still highlights the considerable potential of palm oil to generate sizeable government revenues. This and other studies have also set out various constraints to the fulfillment of such positive scenarios, including the significant complementary investment that would be needed in physical and institutional infrastructure to support growth on this scale.[48] Challenges relating to land tenure and environmental protection issues have long been recognised, as well as their potential solutions in international regulatory systems including the RSPO and HCV network.[49] The importance of the development of small-holder or out-grower activities to supplement the larger-scale sector has also been repeatedly emphasised and explored in various workshops and studies.[50]

Despite such early recognition, discussion and analysis, many of these constraints have yet to be fully or effectively addressed by the government, companies or donors. The challenges they continue to present have as a result contributed to the failure of the sector to achieve anything like the potential described. It has instead generated considerable negative impacts at great cost to all stakeholders, contributing as mentioned to concern over the apparent revival of the plantation model of the past, particularly in relation to illegitimate land expropriation. This in turn has fed into broader critiques of land-grabbing in the region and beyond.[51] Considerable efforts have been made by the companies to address some of their earlier mistakes, and communities are now far more welcoming of their activities. But the legacy of these early missteps is still being felt to some extent, while continued weaknesses remain in some aspects of their approach.

3.1 Early missteps

Flawed concession agreements

Three major concessions were awarded by the government between 2007 and 2010. The first in 2007 was of 89,000 ha to Equatorial Palm Oil (EPO), a UK based company now majority owned by Malaysian major Kuala Lumpur Kepong Berhad (KLK). This included two existing plantations in the country's Southeast and an additional 25,000 ha for out-growers. A larger concession was agreed in 2009 with Malaysian company Sime Darby, with 220,000 ha to be planted out of a total allocation of 311,187 ha, and 44,000 for out-growers. Located in the Southwest, the new Sime Darby Plantation (Liberia) Inc (SDPL) included the existing Guthrie rubber plantation. A similar sized

[43] Koffa (2015), p.5
[44] MOA (2007) (2008)
[45] MOC/ITC (2014), p.13
[46] Fricke (2010), pp.14-15
[47] ibid.
[48] AIRECTS/IFC (2008), Rochow and Brownell (2009)
[49] ibid.
[50] Rochow and Brownell (2009), RSPO/IFC (2012), Small (2014), SHARP/GROW (2014)
[51] Greepeace (2012), *http://www.oaklandinstitute.org/special-investigation-understanding-land-investment-deals-africa*

area was allocated in 2010 to Golden Veroleum Liberia (GVL), owned by Indonesian Golden-Agri Resources (GAR) in the Southeast, with 220,000 ha to be planted out of a total 350,000 allocation, with 40,000 ha for out-growers. Another smaller concession of 13,000 ha was awarded to Maryland Oil Palm Plantations (MOPP), part-owned by regional group SIFCO, which took over two existing plantations in the far Southeast.[52]

The concession agreements had similar features with terms of 63 and 65 years for SDPL and GVL respectively and 50 years for EPO. Despite the government's new approach, none of them was subject to competition or transparency requirements, with the length of the terms alone violating the new regulations.[53] They did all involve specific commitments to promote development however, including payments into local community funds on top of corporate taxes, commitments to contribute to social infrastructure, and the establishment of out-grower schemes all contractual requirements.

Perhaps their most important clause is the obligation on the part of the government to provide land to the companies that is 'free of encumbrances'. This clause singularly failed to take account of the complex existing customary and private land claims across the vast areas concerned, and has been the source of many subsequent problems. As in many African countries, a dualistic land tenure system endures in Liberia in which traditional practices of land ownership and use coexist with modern legal definitions based on deeded private ownership. A third layer of public or government ownership was introduced in the 1950s to facilitate the alienation of land for concessions. Although this allowed registration of joint customary rights in the form of 'tribal deeds', few communities were able to secure these in practice. The concession agreements anyway superseded both customary and private titles as the government adopted an eminent domain approach.[54]

An innovative Land Act currently under debate in the country's legislature aims to resolve some of these tensions by formalising customary ownership alongside other categories of private, government and public.[55] If passed it would also allow for the reversion of concession areas to customary ownership on expiry of their term, another welcome innovation. It specifically rules out any retrospective actions with regards to existing concessions however,[56] and appears to have side-stepped the question of the over-lapping tenures and associated tensions to which they have contributed.[57] Companies have anyway now developed their own careful approach to land acquisition within their allocated concessions, following considerable earlier difficulties. As one put it, '*for us now, the concession agreement is just about the government's legal requirements, we still have to talk to the community – there is no short-cut*'.[58]

Rather than any deliberate return to past patterns of land appropriation, the inclusion of this unencumbered land clause appears to have reflected both a real urgency to conclude the agreements as well as just standard practice, with no alarm raised by the top international lawyers who helped the Government Inter-Ministerial Concessions Commission (IMCC) draft the agreement.[59] The subsequent defense of this approach however, with the President herself explicitly relegating community land rights,[60] along with the reemergence of other elements of the historical extractive economy such as side-payments and diversion of development funds, suggests that such patterns are in fact still deeply entrenched in the country. A sense of urgency was felt particularly in the case of the agreement with Sime Darby where an ongoing security threat was posed by the continued occupation of the Guthrie rubber plantation by ex-combatants.[61] While the employment creation that resulted did diffuse this situation, it created a new set of problems related to the land issue.

Although the area had been formally under the private ownership of Guthrie since 1956, there were a number of local communities within the concession boundaries, either established during the long periods of semi-abandonment during the conflict, or within sections that had never become part of the plantation. A similar situation prevailed in the oil palm plantations that had also been abandoned during the war. Despite the advanced age of the trees in most of these, local communities had restarted production under various cooperative systems, with some earning as much as

[52] See *http://investliberia.gov.lr/library/agreements for the relevant agreements*
[53] Moore Stephens 2013
[54] Wiley (2007), pp.125-50, CICR (2012), pp100-103
[55] www.landlib.org
[56] Koffa (2015)b
[57] Interview with Silas Siakor, Sustainable Development Institute (SDI) Monrovia August 2015, Meeting with Land Commission, Monrovia August 2015
[58] Interview with senior management, EPO, Kuala Lumpur, June 2015
[59] Interview with senior management, GVL, London August 2015
[60] in various statements by the President to affected communities, including at SDPL in December 2011, *http://theinquirer.com.lr/content1.php?main=news&news_id=156*
[61] Interview with Boakai Sirleaf, formerly of the MOA, Monrovia, June 2012, Interview with senior management SDPL, Monrovia, August 2013

US$900 year.[62] At two former plantations taken over by EPO and MOPP, communities continued to occupy and use the 40% and 50% respectively of the original allocation that had never been converted to oil palm.[63] As at Guthrie, attempts to re-start or expand operations in these areas have been resented by some of the resident communities.

The inevitable tensions created by the unencumbered land notion were greatly compounded by the hasty and deficient way that companies initially proceeded with their operations. This again appears to have been due as much to faults of omission than commission by companies, with some expectation also that the government itself would take the lead in community sensitisation processes, as in Indonesia.[64] Problems included the deployment of expatriate staff who in some cases lacked sufficient sensitivity to the local post-conflict realities, for which their Southeast Asian backgrounds and/or experience had left them ill-prepared.[65] The failure to follow established procedures was a further key factor. While the three major companies are all members of the Roundtable on Sustainable Palm Oil (RSPO), some of its core regulations were implemented either insufficiently or badly. This reflects a combination of the relatively novel nature of some of these requirements at that time, the relative unfamiliarity on the part of company personnel with their content or purpose as well as the limited availability of qualified and experienced assessors in-country.

Free, prior and informed consent (FPIC) processes are perhaps the most crucial aspect of RSPO procedures that concern company community relationships, especially where land tenure is unclear or contested. But FPIC was conducted inadequately during the early phase of company operations due to these factors,[66] as well as the fact that both SDPL and EPO were clearing and replanting within existing plantation boundaries. Other assessments including Environmental and Social Impact Assessments (ESIAs) and High Conservation Value (HCV) assessments, required by national law and for RSPO certification, were also inadequate in their evident failure to identify the deeper socio-economic ramifications of company operations or inform effective measures to mitigate these. The lack of sufficiently participatory or detailed consultation with communities thus contributed greatly to the build-up of distrust between communities and companies.

RSPO complaints and responses

The full implications of the problematic land tenure issue were realised in a series of sometimes violent protests that disrupted the operations of all the companies, particularly between late 2011 and 2013. These first came to a head in late 2011 in the SDPL area when community opposition to land clearance erupted into riots.[67] A complaint had already been lodged with the RSPO in November 2011 by one affected community, facilitated by local and international activists.[68] Events followed a similar pattern in the other two concessions, where attempts to clear land sparked protests and complaints to the RSPO in October 2012 against GVL, and September 2013 against EPO, again with the assistance of activists.[69] All of these complaints referred to alleged encroachment on community land by the companies without FPIC, including sacred sites of cultural importance. The complaint against SDPL was quickly dropped following engagement with the affected communities. The complaint against EPO has also been largely resolved, with the RSPO satisfied that the area in question represented replanting within the existing plantation boundary.[70] A detailed recent final decision in relation to the GVL complaint upheld only the initial complaint, which has since anyway been withdrawn, and rejected most of the other allegations against the company.[71]

Some observers have found this response inadequate, with its focus on dialogue and its failure to address the deeper roots of the crisis in the land tenure issue.[72] Others have perceived a bias in favour of the companies. For the companies however, the serious delays that these protests have caused have served to some extent as a 'wake-up call', with by now near universal recognition of the centrality to their operations of full community support or a so-called social license to operate.[73] As one senior manager put it, '*we have taken our cue from the early difficulties*

[62] AIRECTS/IFC 2008, p.76
[63] ibid., p. 70, 91
[64] Interview with senior management, SDPL, ibid.
[65] Interviews with senior management, SDPL, various
[66] Interview with senior management, GVL, London August 2015
[67] CICR (2012), pp.38-9
[68] *http://www.forestpeoples.org/sites/fpp/files/publication/2011/10/sime-darby-complaint-liberia-affected-communities-oct-2011.pdf*
[69] *http://www.forestpeoples.org/sites/fpp/files/news/2013/10/Community Complain_LiberiaGrandBassaCounty_Oct2013.pdf*
[70] *http://www.rspo.org/members/complaints/status-of-complaints/view/44; http://www.rspo.org/members/complaints/status-of-complaints-view/46*
[71] *http://www.rspo.org/members/complaints/status-of-complaints/view/24*
[72] *http://wrm.org.uy/articles-from-the-wrm-bulletin/section1/liberia-rspos-inability-to-address-root-causes-of-the-conflict-related-to-sime-darbys-operations/*, Koffa 2015a

and are now very very careful – we get the communities themselves to tell us where to go next'.[74] To this extent, the community actions have achieved a highly valuable outcome, while the RSPO has also provided a crucial forum through which these protests could be aired and mediated.[75] A number of concrete measures have been put into place as a result, with some positive impacts. These have contributed to the acceptance of the companies' operations on the part of most currently affected communities, with only 4 out of 24 affected communities still maintaining opposition to development in the EPO area for example. Other communities within concession areas are now actively inviting companies to start negotiations.

A key priority in the responses of all the companies has been the 'proper' conduct of FPIC, with the assistance of specialised third parties including The Forest Trust (TFT) which has worked with all three companies. This has led to the establishment of new procedures involving slow and careful engagement with communities through participatory mapping and other mechanisms. This has contributed to the signing of direct Memorandums of Understanding (MOUs) between companies and individual communities before any land clearance takes place, which set out clearly the benefits and responsibilities on both sides. These have become an integral part of company planning, although a lack of standardisation implies that communities with stronger negotiation skills may achieve better deals. Effective FPIC processes are also still evolving, with a detailed recent critique expressing the opinion that GVL's Standard Operating Procedures (SOPs) for example could benefit from further improvement.[76]

Other steps mandated by the RSPO have included conflict mediation exercises between companies and communities, again facilitated by international specialists. The Forest Peoples Programme (FPP) oversaw this process in SDPL's concession in 2012, while land rights organisation CSR 21 has worked more recently with EPO, along with local environmental activists, the Sustainable Development Institute (SDI). Mechanisms have also been established to promote more effective communication between communities and companies, with EPO's Technical Working Group (TWG) and SDPL's Sustainable Partnership Initiative (SPI). This latter has been a particularly interesting innovation which is viewed by the government as a model for the other companies to emulate.[77] Its multi-stakeholder format and lengthy monthly meetings enable all voices to be heard relatively equally, while also allowing grievances to be fully aired instead of festering and potentially escalating.[78] EPO has also introduced a number of new measures to strengthen their relationships with affected communities, including a survey of outstanding grievances and the formalisation of processes to address them, as well as a commitment to ensure full and transparent engagement with communities going forward.[79]

These initiatives suggest some recognition of the importance of transparency, the first principle of the RSPO, particularly on the part of EPO which has specifically prioritised this aspect.[80] Communication on some issues still remains inadequate however, which serves to undermine the development of trust.[81] Issues of concern repeatedly raised by communities include the failure to remedy water supply problems caused by company operations despite promises, and a lack of clarity on wage rates, among others.[82] Communities may well play up such concerns during the course of brief field visits by outsiders, but the issue of transparency itself is raised with troubling regularity despite recent company efforts. Inadequate communication, or at least the perception of it on the part of some members of affected communities, has been a key factor in the periodic escalation of grievances into violence.

Community representation in the groups set up to improve communication presents its own challenges due to a diversity of views within communities as well as questions of legitimacy. While these are common problems, they may be magnified in the post-conflict setting of Liberia where local tensions related to the conflict remain unresolved in some cases, and traditional political structures have been greatly weakened. This may have contributed to the high turnover of representatives as well as to greater sensitivity towards apparent conflicts of interest or self-interest, as seen for example in the dismissal by communities in the SDPL area of the Monrovia-based activists who supported them initially.[83] A related issue is the increase of individual and clan level boundary

[73] Interviews with senior management of all companies, various times and locations
[74] Interview with senior management of SDPL, Monrovia August 2013
[75] Lomax (2015)
[76] FPP (2015)
[77] Interviews with SDPL and government officials from various agencies, Monrovia August 2015
[78] Interviews with senior management of SDPL, various locations
[79] EPO Sustainability Report 2015, p.17
[80] Interviews with KLK and EPO senior management, Kuala Lumpur June 2015, London July 2015
[81] CICR 2012, p.90, Interviews in EPO area August 2015, Koffa (2015)a
[82] Interviews with villagers in Behn, EPO August 2015, Koffa 2015a
[83] Evans and Griffiths (2013), p.23, interview with community representative in Gbah (SDPL) August 2013, and with senior management SDPL Monrovia, August 2015

disputes in the aftermath of the conflict, which has served to complicate negotiations in at least one concession.[84] These kinds of issues could be revealed through more effective assessment and participatory mapping processes. While such processes become even more crucial given the complexities of the post-conflict setting, the higher costs of inadequate assessments can also be seen in the escalation of tensions in such a sensitive environment.

3.2 Ambiguous impacts

Operational delays

These early missteps by the companies and the government have contributed to significant delays in the expansion of sector as a result of both the ongoing tensions between companies and communities and the lengthy processes that have been put into place to address them. The one-year moratorium imposed as part of the HCS study has also prevented SDPL and EPO from moving forward in the areas where they have negotiated MOUs with communities.[85] Expansion has been further delayed by the Ebola crisis which affected the country severely during 2014. Although direct impacts were limited in the three operational areas, little was achieved during this period. The mill construction plans of all three companies were set back considerably and will now only be completed towards the end of 2016, although smaller mills are being brought in in the interim.[86] Fruit production has started in the early plantings of all the companies, but will be ablated until these are operational, with the exception of MOPP which benefits from proximity to the mills of its parent company in Cote d'Ivoire.[87]

Only 33,000 ha had been planted in total by mid-2015, including 10,254 ha at SDPL, 10,300 ha at GVL, 7,200 ha at EPO, and a further 5,300 ha at MOPP, the latter two being mainly replanting. Employment has reached fewer than 10,000, with roughly 2,900 at SDPL, 4,000 at GVL and 1,500 at EPO, of whom varying proportions are casual workers.[88] These figures compare to earlier targets for EPO for example of 36,000 ha planted by 2015 along with 7,000 ha of out-growers,[89] and to GVL's original plan to employ 30,000 workers.[90] Government projections of investment by the companies will also have been significantly delayed compared to expected expenditure of US$3.1bn by SDPL by 2025, US$2bn by GVL by 2017, US$800m by EPO by 2017 and US$20m by MOPP by 2015.[91] Revised projections by GVL now suggest employment at full capacity in 2027 will reach 40,000 with total investment of US$1.6bn.[92]

The far slower than expected pace of planting will have various knock-on impacts including on company profits, which are only realised after a significant time lag due to the huge upfront investment requirements. SDPL's commitment to build a refinery once 120,000 ha has been planted will also be affected. The original targeted total hectarages of all the companies are also likely to be scaled back to take account of increased environmental and livelihood set-asides, unless land is reallocated from outside the current concession boundaries as part of a broader landscape approach.

Multiplier effects and linkages

This likely scaling back means that the original projections of employment and revenue generation are unlikely to be realised, while the slow pace of planting has also greatly limited the multiplier effects generated so far. Some positive impacts have been felt already however, from the increased employment and the creation of some local economic linkages. Villagers in the EPO area pointed to the zinc roofs on many of their houses, commenting that '*most of us are having zinc instead of thatch now the company is here - we do want the company to be here as it brings development*.[93] Similarly positive sentiments are now found in all the concession areas where direct impacts from employment and social infrastructure have been felt. The main town Gbah in the SDPL area has grown from a small village into a vibrant place with a bank branch, a couple of restaurants and bars, and various new shops supplying construction materials and basic manufactured goods.[94] Demand for such products has increased despite workers' limited discretionary incomes, with the overall monthly pay-out by the company of around US$500,000 a month representing

[84] RSPO ibid. at note 71/72
[85] A commitment that was agreed to with some reluctance given the great efforts made to build trust with communities as part of the negotiation of these MOUs
[86] Interviews with company representatives, various
[87] Proforest/IFC (2015), pp.33-37
[88] ibid., interviews with senior management EPO, SDPL, Monrovia Buchanan August 2015
[89] Hardman and co (2012)
[90] CICR (2012), p.53
[91] MOC/ITA (2014), p. 20
[92] Personal communication, GVL senior management, October 2015
[93] Interviews in Newtown, EPO area, August 2015
[94] Field visit to Gbah, June 2014, interviews with senior management SDPL, Monrovia, August 2015

a substantial input into the local economy.[95] The improvements to feeder and main roads that the companies make as part of their operations are a further important indirect economic input, greatly facilitating access in and out for goods and people and therefore boosting economic activity.

Other economic linkages are being created through the hiring of contractors for building roads and clearing land in the plantations. This generates additional employment, with one regionally-owned company working for EPO for example employing 55 semi-skilled and skilled workers at decent wage rates, who also benefit from training.[96] The restarting of mill construction and other activities associated with actual production should significantly boost this process, including through the construction of port storage facilities and transport requirements. More direct and permanent jobs will also be created at the mills and in harvesting. Company personnel emphasised the '*quantum leap*' in impacts that will be felt as production takes off, having witnessed similar processes in Indonesia and elsewhere.[97]

Many potential linkages are missed as a result of the limited capacity in the local economy however. There are considerable constraints to the growth of small and medium enterprises, including limited access to finance and training and the poor state of the country's infrastructure, particularly in relation to road transport and electricity, which greatly raises the cost of operating any business.[98] While one company reported difficulties in finding local transport companies as a result,[99] one local contractor described the rejection of his quotation for clearing services as being higher than the cost to the company of importing its own machinery and operators to carry out the work.[100] The slow progress of infrastructural rehabilitation is thus further restricting an already fairly minimal multiplier effect.

Other benefits accrue from companies' so-called Corporate Social Responsibility (CSR) programs, with social infrastructure provision an important aspect of their local engagement that is universally welcomed, given the continued failures by the government to fulfill its obligations in this respect. Primary schools and clinics are provided by all three companies, and are generally seen as being of decent quality.[101] Although these are designed for dependents of workers, this is interpreted generously to include up to 6 children per household,[102] with facilities also open to non-workers if there is space.[103] SDPL and GVL have even committed to build hospitals,[104] although these plans may be affected by the changed planting and associated expected revenue schedule.

Company payments into various social development funds, as specified by the concession agreements, should represent another source of local benefits, although concerns about management and accountability have delayed expenditures. Communities in the EPO area specifically requesting that the company hold onto the funds while these issues are resolved.[105] One useful target for these funds could be livelihood support, which currently receives little attention. As highlighted below, employment provides only one source of income at low wages, with households supplementing this through other means including cash-crop production. An agricultural program initiated by SDPL was strongly welcomed by the community,[106] and was relatively successful until its suspension during the Ebola crisis. The provision of advice and assistance as part of the crop compensation process would be a further useful contribution, in order to maximise the longer-term impact of these sizable payments.

Food security, wages and livelihoods

As positive impacts do slowly begin to be felt in affected communities, their previously more negative views of company operations are likely to soften. Despite some issues relating to wages and communication, those consulted in the EPO area for example all emphasised their support for the presence of the company, with a similar view expressed to the RSPO representatives who visited the GVL concession area for an assessment in June 2014.[107] This is in marked contrast to the high levels of dissatisfaction

[95] Interview with senior management (SDPL), KL June 2015
[96] Interview with contractor, EPO area, August 2015
[97] Interview with senior management EPO, KL June 2015, Buchanan August 2015
[98] MOC/ITC (2014), p.20, Rochow and Brownell 2009
[99] Proforest/IFC (2015), p.38
[100] Interview with local contractor, Monrovia, August 2015
[101] Interviews in Gbah, SDPL, June 2014 and Newtown, EPO, August 2015
[102] Interviews with EPO and SDPL management
[103] GVL(2015)
[104] CICR (2012), p.51
[105] Interview with senior management EPO, London July 2015
[106] Interview with Alex Balo, community representative, Bomi county, August 2013
[107] Pers.comm. GVL senior management, October 2015

expressed to researchers in some parts of the SDPL operational area, particularly during the period immediately following initial clearing by the company.[108] This is where perhaps the most acute negative impacts of oil palm development have been experienced, especially in relation to the deterioration in food security resulting from this early land clearance. In the first area that the company cleared for replanting, it failed to leave any buffer for communities' livelihood activities, such that affected communities have since been unable even to cultivate backyard vegetable gardens, let alone larger farms of subsistence or cash-crops.[109] The filling in of swamps which had previously been used to grow rice and for seasonal fishing has created further problems, while insufficient riparian buffer zones have also affected water access and quality.[110]

Food insecurity was estimated to have significantly increased as a result in affected communities compared to non-affected ones, according to one detailed study conducted at the time. Impacts recorded included higher levels of debt and a higher proportion of income spent on food, as well as reduced protein in the diet due to a reduction of fish consumption. [111] Once again, the potential for such negative impacts should have been anticipated and mitigated as part of the ESIA and other assessment processes. Follow-up studies have not been conducted to assess whether or not food security has improved since. But despite a generous compensation package that was arranged with the affected communities including a guaranteed job for each household, continued resentment over the loss of land and the lack of initial consultation has been documented.[112]

A reduction in local food production is not necessarily a problem if income from employment on the plantation or from other sources allows local communities to buy imported food instead. But while employment has been created on a reasonable scale in affected communities in all the concession areas, company wages are widely viewed as inadequate compared to the cost of living.[113] Apart from the price of rice, which is marginally lower in some concession areas due to the allocations workers receive, the cost of other food items has risen as a result of reduced production, with the price of palm oil itself having reportedly nearly tripled in the SDPL area.[114]

Standard daily wage rates of between US$5-6 are similar to or higher than what is available outside the plantations, and they also match the minimum wages set recently by the government.[115] All the companies also provide supplementary benefits included subsidized rice, housing, and free access to healthcare and primary education for their employees. But the US$100-150 a month that many workers take home after deductions still barely covers basic expenditures, with little available for savings, investment or emergencies. As one in the EPO area put it, '*you can just about make it each month, if you have a small family and are very careful, but there is nothing left over.*[116] Take-home wages are lower for casual workers.[117] As households are unable to survive on the wage alone, their other livelihood activities remain critical, primarily agricultural production for subsistence or sale which requires continued access to sufficient land. RSPO guidelines suggest that companies should be paying *at least* the minimum wage, and should be sufficient to provide for a 'decent' living wage.[118] Higher levels of discretionary income would also help generate a greater multiplier effect on the local economy. As one restaurant and bar owner in the central town in the SDPL concession put it, '*the workers cannot spend here, even on payday only a few will come.*'[119]

Compensation for crops planted on land taken over by the plantation is another important source of income for affected communities, with allegations of insufficient or late payments a recurrent cause for complaint. Companies have paid out large amounts, including approximately US$1.3m by SDPL to the worst affected communities in its area.[120] While this could have been an important source of capital for investment in productive activities, there is reportedly little evidence of any longer-term impacts, with the absence of any complementary assistance, advice or training from any source representing a missed opportunity.[121]

[108] Koffa (2015)a, Evans and Griffiths (2013), CICR (2012), p.43
[109] ibid., Koffa (2015)a
[110] ibid.
[111] Balachandran et. al. (2012)
[112] Koffa ibid.
[113] Interviews in Gbah (SDPL) June 2014, Newtown and Behn (EPO) August 2015, Koffa (2015)a, CICR (2012), p.54
[114] Interviews in Gbah (SDPL) June 2014, Evans and Griffiths (2013)
[115] *http://www.liberianobserver.com/news/ellen-signs-decent-work-bill-law*
[116] Interview in Newtown, EPO area August 2015, see also CICR on GVL, p.54
[117] Interviews in Behn, EPO August 2015
[118] RSPO Principle 6.5
[119] Interviews in Gbah, June 2014
[120] Interviews with senior management, SDPL, Monrovia August 2015
[121] Interviews with SDPL management and social staff, Monrovia August 2015

Crop compensation rates were initially set very low, covering only one year's production rather than the life-cycle of the crop.[122] The government substantially revised these in 2013 in response to community dissatisfaction, with rubber for example increasing significantly from US$6 a tree to US$97.[123] While this is certainly far closer to the true value of forgone income, it has unfortunately created a distorted incentive to farmers to give up these alternative sources of livelihood for conversion. This can be seen in requests from communities with MOUs in place with SDPL and EPO to reduce suggested margins for farms and bring the planned plantation area closer to the village so that more crops will be included in the clearing process and more compensation paid.[124]

GVL has avoided this problem by ruling out future crop compensation payments at the new rates, due to both the high cost and the difficulties of implementation.[125] The company has allocated relatively large set-asides for livelihood and environmental purposes as part of the revised approach it has adopted since 2013 following the RSPO complaint as well as its participation in the HCS Approach.[126] These account for up to 40% of land in areas where it has MOUs in place, with livelihood set-asides including current and future farmland, some of which might later be offered back to companies as part of the out-grower scheme.[127] Responsibility for the subsequent management of areas set-aside for HCV and HCS protection remains unclear, as does community access to them, with the company able to exclude these areas from its concession under its original terms. This question will similarly arise once HCS areas have been identified in the SDPL and EPO concessions.

If crop clearing is carried out by SDPL and EPO as planned once operations recommence, there is a very real risk that the land remaining will be insufficient for communities' other farming activities, leading to increased food insecurity just as in the past when insufficient buffers were left. Pressure on land will be further exacerbated by the increased environmental set-asides for HCS and HCV. The destruction of rubber trees and other life crops appears particularly short-sighted given their crucial contribution to livelihoods. This issue highlights again the continued inadequacy of assessment processes and of companies' understanding of the local rural economy and complex livelihood strategies of communities. It also reflects the weakness of current regulations on livelihood set-asides. While HCV 5 does require the protection of 'sites and resources fundamental for satisfying the basic necessities of local communities (footnote ref to *www.hcvnetwork.org*) and negative impacts on livelihoods must also be set out and mitigated under RSPO Principle 6.1, these measures both currently lack detailed guidance for effective implementation.

Although competition for land is not currently a pressing issue in the concession areas, which are located in relatively under-populated parts of the country, land pressure is growing in the more populated central zone where rubber production is concentrated, as evidenced by the new practice of charging incomers for access and usage, shorter fallow periods, and higher competition for non-timber forest products.[128] The conversion of larger areas to oil palm in the Southeast and West, combined with increased set-asides for HCV and HCS, could well result in similar pressures, and is a source of deep concern in affected communities. Older people in particular have expressed '*a sense of hopelessness about the future if their land is taken away and there is no land or livelihoods for the children to come back to*'.[129] Such fundamental changes to traditional ways of life are a further highly ambiguous impact of the large-scale expansion of plantation agriculture.

Out-grower schemes

A key means for generating positive impacts is the planned out-grower schemes that are included in all the concession agreements. These were originally projected to cover over 120,000 ha, although this may be reduced given the growing pressures on land. As well as providing direct income, these should also generate considerable indirect impacts, with the potential to play a similar role as the small-holder cash-crop projects of the 1970s and '80s. While these schemes represent a real opportunity for the companies to make a major contribution, there are also major risks if inappropriate models are adopted that fail to deliver the expected benefits.

122 CICR (2012) pp.92- 93
123 Ministry of Agriculture March 2013
124 Interviews with SDPL management and EPO management Monrovia/Buchanan August 2015
125 Interviews with GVL senior management, Monrovia and London August 2015
126 Another mechanism aimed at protecting High Carbon Stock forests, for which GVL operations were originally a pilot, assisted by TFT and Greenpeace
127 Interview with senior management GVL, Monrovia August 2015
128 Interview with Silas Siakor, Director of SDI, Monrovia August 2015
129 Evans and Griffiths (2013), p.38

These schemes were supposed to be established within three years of the start of company operations, but have yet to reach the detailed planning stage or raise the required funding. While the government was supposed to take the lead in both these areas, and various consultations have taken place,[130] progress has continually been stalled by the lack of funding. A greater sense of urgency has developed since the end of the Ebola crisis, with the National Bureau of Concessions (NBC) newly-designated as the lead government agency, and Swedish government funding enabling NGO GROW to re-start consultations on the model, including with local communities.[131] The possibility of IFC funding, mooted in the past, has also resurfaced, while IDH (the Sustainable Trade Initiative) may also play a role.[132] Getting these schemes off the ground is now a matter of great urgency, especially given the considerable time to production.

Although companies often fund such schemes directly, the delays and challenges they have already faced in Liberia have made them reluctant to make further financial commitments.[133] They do have a strong preference in relation to the choice of model however, favoring the '*kemitraan*' or partnership approach that has been widely implemented in Indonesia. This model entails full company control of planning, preparation and planting, which basically follows plantation practice in order to maximise yields. Locals may farm the plots themselves, but the preferred method is to allocate each a share in the overall area which is then operated directly by the company, with some locals employed as workers, again just as on a commercial plantation. Dividends are then paid out based on production following the deduction of the costs of establishment and operations.[134]

This model allows the company to take responsibility for planning, including challenging aspects such as the environmental set-asides for HCV and HCS. It also minimises the role and autonomy of local farmers however, to an extent that may not be fully anticipated by the intended participants, although there is some concern among company representatives about this aspect.[135] Local views must be taken fully into account, with the current GROW consultation process likely to be useful in this regard. It is also important that the schemes take account of issues such as the lag between planting and production, the impacts of price fluctuations on ability to make loan repayments, and the size of individual holdings. While small-holder programs have been very effective in poverty-reduction in Southeast Asia, these and other factors have also contributed to more variable outcomes.

The implications of the extensive existing informal small-holder sector must also be taken into account, as it creates a very different context than that of Southeast Asia. At least 29,000 households are involved in low-yielding traditional production of oil for local and regional markets from wild groves and smallholdings using artisanal methods, with palm oil production and trade estimated to account for 10% of informal agricultural employment.[136] A handful of assistance programs have been launched with the aim of boosting yields and facilitating market access. These have been on a very small-scale so far however, with the Freedom Mills that allow more efficient oil extraction for example reaching fewer than 200 farmers and traders as part of one 3 year program.[137] Government efforts have been conspicuously absent, with even simple extension services barely re-established by the Ministry of Agriculture (MOA).[138]

Any support from the companies for this sector, whether on the supply or demand side, could represent an important complement to the planned out-grower programs and magnify greatly their overall contribution.[139] As well as providing technical support, access to improved planting materials and a market, companies could also provide assistance on environmental protection for HCV and HCS, although this is likely to prove extremely difficult in practice. As discussed above, the combination of the impact of the larger-scale sector with small-scale activities can help create real critical mass in the rural economy, with the former playing a leading role in this process. A much more effective institutional framework is required however if the sector is to reach anything like its full potential.

[130] RSPO 2012, SHARP/GROW June 2014, FFI 2012, Small 2014
[131] *http://www.liberianobserver.com/business-investment/grow-liberia-start-new-program-agriculture*
[132] Meeting with World Bank official, Monrovia, August 2015
[133] Interviews with senior management SDPL KL June 2015, Monrovia, August 2015, EPO Buchanan August 2015
[134] ibid.
[135] ibid.
[136] MOC/ITC (2014), p.19
[137] Small (2014)
[138] ibid.
[139] MOC/ITC ibid.

Section 4: Institutional Framework and Challenges

The institutional constraints within which the palm oil sector operates arise as a result of the deep governance challenges in the country. These include capacity constraints and corruption of various types, which serve to prevent the good intentions of the government set out in numerous policy statements from being realised in practice. Corruption has not affected the sector directly, with no reports of the 'brown envelopes' common in other negotiations for example and prevalent historically in the rubber sector. But its impact is still felt in the difficulties in building the necessary capacity in relevant government agencies to support the sector, as both funds and attention are diverted away from national development objectives.

These deep-seated systemic failures have greatly limited the evolution of effective national institutions either to regulate the palm oil sector directly or to promote the complementary developments that are necessary to boost its direct impacts. The local application of international regulations can only go so far to make up for this lack of national capacity, while their evolution has also been slower than planned, in part due to the same lack of complementary national capacity or political will.

4.1 National institutions

A key recent policy document, the National Export Strategy (NES) provides a comprehensive statement of the expected development of the sector and the major constraints it is facing. These include *'a non-existent extension system, the lack of any agronomic research.., the absence of a domestic inputs market and the near absence of any kind of agro-specific loan products'.*[140] Constraints in the business environment affecting small and medium enterprises are also identified as limiting the development of supply chain linkages. The policy also emphasises the need for the sector to focus on producing certified oil for the premium if offers and in order to develop a strong national brand for palm oil.[141] This of course however requires national capacity to provide guidance and ensure implementation.

Another area of weakness is the overlapping remits of different government agencies and their varying ability to fulfill their roles effectively. While some issues are resolved quickly, others take literally years, with little apparent logic as to what works and why and vice versa.[142] Overall governance of the sector is hampered by the failure to establish a planned Coordination Committee to facilitate communication between these different agencies and the companies.[143] There is no lead national agency with a specific mandate to govern the palm oil sector along the lines of the Malaysian Palm Oil Board for example. The Liberian Agricultural Commodities Regulation Authority (LACRA), set up to replace the defunct Liberian Produce Marketing Board (LPMC) with a remit to support the development of agricultural trade, has played a minimal role so far,[144] while the Liberian National Initiative for Sustainable Palm Oil (LINSOP), established in 2011 as a multi-stakeholder group including companies, government agencies and NGOs, also lacks capacity.

One of the key regulatory agencies in the sector, the Environmental Protection Agency (EPA), is a typical example of an institution with a strong policy framework but limited capacity to fulfill it. The EPA Act that established it in 2003 mandated it to '*ensure the sustainable and wise use of natural resources in pursuance of social and economic development without undermining the ecosystem's renewal and re-supply process*.'[145] But its budgetary allocation of US$1m is insufficient, funding only 10 county level inspectors for example, whose logistics are limited to motorbikes dating from 2012.[146] The agency should benefit from a sizeable donation from the Norwegian government announced last year.[147] A total amount of US$150m has been promised over the next 5 years to contribute to protecting Liberia's remaining forest, a substantial part of which is allocated for building the capacity of relevant institutions including the EPA. While implementation details are still under consideration, this offers an important opportunity for the country, particularly as disbursal is conditional on performance.

140 MOC/ITC (2014), p.20
141 ibid., p.43
142 Interview with senior management SDPL, KL June 2015, EPO Buchanan August 2015
143 Interview with senior management SDPL, KL June 2015
144 MOC/ITC ibid., p.36
145 CICR (2012), p.67/8
146 Meeting with EPA representatives, Monrovia August 2015
147 *https://www.regjeringen.no/en/aktuelt/Liberia-and-Norway-launch-climate-and-forest-partnership/id2001145/*

Despite its hugely important remit, the Ministry of Agriculture (MOA) similarly lacks capacity and has yet to implement any large-scale programs in furtherance of its core policy objective of boosting agricultural productivity. Although comprehensive policies have been developed in line with this objective,[148] there has been almost no progress in the 10 years since the end of the war in the key areas of financing, extension services and market access. As one local observer put it, '*while the policy objectives are clear – and the 2008 Agricultural Policy was fantastic - what is lacking is detailed planning mechanisms to implement these. The policy itself is seen as an achievement, it becomes just an exercise.*'[149] The Ministry receives only 1% of the non-donor budget, although this is boosted by donor support, and has only 200 extension workers. It has also lacked strong direction under an aged Minister who has now finally retired. As a result of these constraints, it has been unable to play any major role in boosting the smallholder sector to complement the larger-scale plantation sector as happened in the past.[150]

4.2 International institutions

Although inputs from international actors have been hampered by the lack of corresponding local capacity, there have been considerable efforts by international donor and NGO agencies to contribute to the sector. These include programmes aimed at the regeneration of the informal cash-crop sector, but as mentioned, these have been on a very small scale and have also been affected by the Ebola crisis. The latest installment of the STCRP (Small-holder Tree Crop Revitalisation Project) a long-running World Bank and USAID-funded program, has for example made progress on only one of its numerous monitoring targets since its conception in mid-2012, being the hiring of consultants to design the program.[151]

International actors have played a major role in promoting the establishment of international standards in the country, with draft versions of the National Interpretations (NI) of the RSPO and the HCV assessment process developed in January 2014 and November 2012 respectively.[152] LINSOP contributed to both these processes with the assistance of international NGOs. Further progress on the NI processes has been slowed by the lack of capacity of LINSOP and by minimal government leadership however, with momentum also lost as a result of the Ebola crisis. A more recent development is the country's membership of the Tropical Forestry Alliance (TFA), a global public private partnership aimed ultimately at removing deforestation from the supply chains of key commodities including palm oil.[153] A large National Palm Oil Symposium held in June 2015 in Monrovia to develop a national action plan set out some guiding principles. Drawing on existing international regulations, these included renewed commitments to core principles of sustainability including the achievement of zero net deforestation by 2025 through the adoption of HCS and HCV.[154] The HCS Approach has been piloted in the country since 2013, while the findings of the HCS study, of which this report is a case study, will also be implemented in the coming months.

All of these processes, and further progress of the sector overall, rest however on capacity and political will on the part of the government, which has till now been either inadequate or actually missing altogether.

[148] MOA (2008)
[149] Interview with Silas Siakor, Director of SDI, Monrovia August 2015
[150] Small (2014), MOC/ITC (2014), Proforest/IFC (2015)
[151] World Bank (2014)
[152] Proforest/IFC (2015), p.65
[153] www.tfa2020.org
[154] Proforest/IFC (2015), p.64

Section 5: Conclusions and Recommendations

The foregoing discussion suggests that the positive impacts that have been generated so far by oil palm development, primarily through the creation of employment and some social infrastructure, have been constrained by the legacy of the early missteps by both the companies and the government, and by the limited scale that the sector has been able to reach so far, in part as a result of these. The lack of complementary action by the government or development agencies in relation to infrastructure, small and medium enterprise and other agricultural activities has further inhibited the generation of any broader multiplier effects from the sector.

While many of these constraining factors are beyond the control of the companies themselves, all three have been developing measures to address those which they can affect, with many welcome initiatives already in place or in progress. These include SDPL's Sustainable Partnership Initiative (SPI), established in 2012 and widely seen as a model forum for effective communication between stake-holders which has helped prevent further conflict in their concession. EPO has more recently initiated transparent and independently facilitated dialogue with the communities which have objected to their expansion and established a strong grievance procedure.[155] GVL in turn has adopted a progressive landscape planning approach which includes substantial livelihood and environmental set-aside and has developed considerable in-house social capacity which has direct input into decision-making processes.[156]

Some of the key factors that contributed to the early difficulties in the sector now no longer apply. In particular, even though the underlying land tenure issue remains unresolved, all companies now fully acknowledge the importance of FPIC, which along with their contributions to social infrastructure lies at the heart of their negotiation of Memorandums of Understanding (MOUs) with communities. All the companies have established social teams to help manage these crucial aspects of their operations, although the capacity of some could be strengthened. The genuine shift that has taken place is symbolised by the resolution this year of the remaining outstanding RSPO complaints processes, in June for EPO and September for GVL. Most affected communities are now welcoming of the companies' presence, while other communities in the concessions are actively inviting them to explore their areas.

As a result, it is very likely that future land acquisition processes and company relations with communities will be far less conflictual than in the past, despite the added complexity of the environmental protection requirements for HCS. It is more difficult to predict the broader impacts of these changes on communities' welfare, given that the major elements of employment creation and social infrastructure provision have been in place for some time in all three concessions. It would be very useful to be able to track both of these aspects much more precisely. To this end, **companies should introduce mechanisms for better monitoring and auditing of the MOU negotiation process including participatory mapping and FPIC, and for measurement of the actual welfare impacts of their operations**. This would contribute to far greater transparency and accountability for all stake-holders, including communities, NGOs, government, companies and financiers. The means for doing so must however be integrated within existing processes and institutions in order to avoid unnecessary duplication and cost.

Despite this major progress, serious challenges remain in relation to the interconnected issues of labour, livelihoods and land, with growing pressure on the latter as the companies resume their expansion of particular concern. As discussed above, current wage levels are too low, in terms of both the cost of living and the opportunity costs of the time and land relinquished to the plantation especially over the longer-term, however minimal these may appear currently. At a result, even the households of direct employees are compelled to pursue additional livelihood activities, some of which require land, whether for agriculture or to access wild sources of food and income. One-off compensation payments, despite being more substantial than in the past, cannot substitute for these ongoing resource streams, especially as they are not accompanied by any efforts to ensure their productive investment. Even if wages were increased, enabling employees to afford

[155] EPO Sustainability report (2015)
[156] Pers.comm. senior management GVL, October 2015

imported food and to give up their supplementary livelihood strategies, land for those not employed by the plantation would still be required. This may include land for the production of palm oil itself as the sector expands, whether by attached out-growers or independent small-holders.

Without sufficient land for these various activities outside the plantations, there is a clear risk not only of an increase in food insecurity as experienced in the SDPL concession, but also that the broader impacts of the plantation will be limited as at present. As seen in the 1970s and '80s, the impacts of the plantation sector can be greatly magnified by a thriving broader rural economy in which land and labour are deployed in diverse ways, rather than one in which the plantation has displaced other activities by taking all the available land. **Companies can help to alleviate these pressures on land and generate a greater multiplier effect by increasing wages**, something which should they do anyway in line with evolving industry commitments to pay a living wage, not a minimum wage. This may become easier after production comes on-stream in 2016 and revenues start to flow. But **companies must also ensure that sufficient land is available to support livelihood activities beyond the plantation. This will require the set-aside of sizeable areas for agricultural production, as well as the assurance of continued access for communities to the wild sources of food and income** found in the areas set aside for environmental protection of HCVs and HCS. As mentioned, current provisions for livelihood protection including under HCV 5 are insufficiently detailed and need to be further developed for more effective implementation.

The combination of these livelihood and environmental set-asides will inevitably reduce the eventual scale of the concessions, necessitating revisions to the projections of both the companies and the government. It is imperative however that planting should reach the 120,000 ha required to justify construction of the refinery, as set out in the Sime Darby concession agreement, in order to ensure that the sector evolves beyond extraction and export without adding value. If SDPL is unable to attain the necessary level of production alone, creative solutions should be sought, perhaps involving a combination of all the concessionaries, or a public-private partnership of some kind. Once in place, the out-growers schemes should contribute significant additional hectarage, while independent small-holders could also play an important role, as in Southeast Asia, given sufficient support. **Companies must make all efforts to ensure that out-grower schemes get off the ground as quickly as possible and should also consider offering assistance to independent small-holders in line with company capacity and expertise.** While land availability for both attached and independent small-holders should pose far less of a challenge if generous livelihood set-asides have been left, unsettled land tenure issues may still prove problematic. **The companies could help address this by providing support for the passage and implementation of the new Land Act, particularly the land registration process** which may well be delayed due to inadequate funding.

For the sector to reach anything like its potential, far more investment into complementary activities, and far better management of it by the government, will both also be necessary. Although the companies cannot of course influence these factors directly, they can still contribute in various ways. In relation to management, **the companies could assist in the establishment of a national governing body for the sector, whether in the form of funding, expertise or both.** In relation to rural development more broadly, **the companies could be far more proactive in their approach to boosting welfare**, as seen in some successful initiatives in Southeast Asia,[157] including as mentioned **through well-designed out-grower models, and support for independent small-holders and other related income generating schemes.**

This then adds up to a very different model than that of the past, with higher returns to labour, consent-based and significantly reduced land appropriation, a greater role for out-growers and small-holders, and a more proactive and creative approach in relation to the short-comings of the government. Such an approach would go well beyond existing company innovations, and is radically different from the low cost high volume model on which their huge investments were originally based. It would require far greater community development capacity than at present, as well as closer relationships with communities and company workforces. Although such an approach has implications for the companies in terms of profitability, the seemingly inexorable progress towards sustainability in the industry more broadly may help to justify such changes, while without them, the sector is unlikely to thrive in Liberia.

Finally, to return to the question raised in the introduction of whether the expected positive developmental outcomes of palm oil activities in such a poor country as Liberia could serve to justify higher environmental costs from clearing forests for plantations than might be acceptable in better-off countries. Such a trade-off may in fact be untenable in practice, not least because of the inherent arbitrariness of any attempt to quantify the comparative value of

[157] Daemeter (2014)

environmental costs and developmental gains. It may also be unnecessary, as careful land-use planning should anyway ensure that areas with the highest environmental value are protected while agricultural development is directed to already degraded land.

Notwithstanding these issues, such a trade-off would certainly be far easier to justify on the basis of this alternative model of oil palm development which puts communities and their needs at the centre of the process within the broader context of a flourishing rural economy. Defending such a trade-off in the context of the land expropriation and labour exploitation that characterised large-scale agriculture in Liberia in the past, and which the palm oil sector appeared to risk repeating in its early years, would be a far more difficult proposition. In relation to the current middle ground in which companies have adopted much better but perhaps not yet best practice, far greater monitoring, verification and evaluation would be required in order to ascertain the extent to which their changed approach really is delivering positive developmental outcomes, before such a trade-off could be considered.

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Appendix: List of Interviewees

Interview with Alex Balo, Community Representative, Grand Cape Mount County, August 2013

Interview with Alfred Brownell, Director, Green Advocates, Monrovia, August 2015

Interview with Natty Davis, formerly of the National Investment Commission, Monrovia, June 2012

Interview with Alisdair Fraser, Country Economist, International Growth Centre, Monrovia, August 2015

Interview with Greg Mittman, Director, 'Film with no name', Monrovia, June 2014

Interview with Silas Siakor, Director Sustainable Development Institute, Monrovia, August 2013, June 2014, August 2015

Interview with Boakai Sirleaf, formerly of the Ministry of Agriculture, Monrovia, August 2013

Interview with Manger of regional contracting company, Palm Bay, August 2015

Interview with Director of local contracting company, Monrovia, August 2015

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