



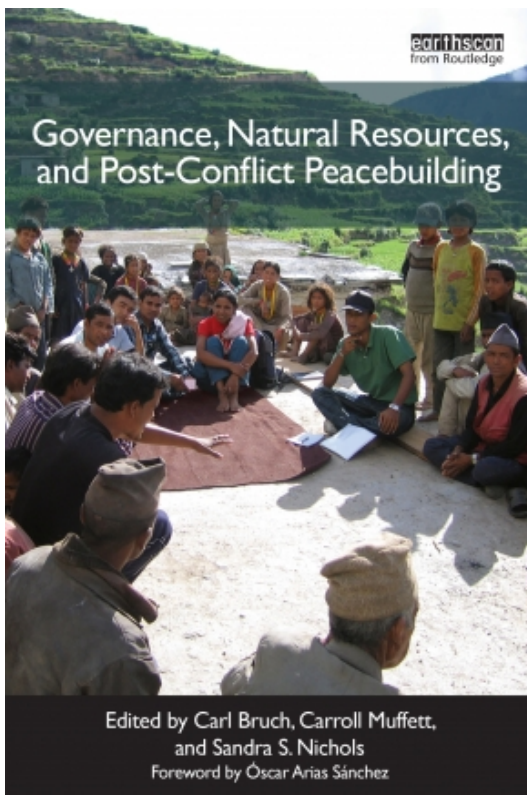
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Social Benefits in the Liberian Forestry Sector: An Experiment in Post-Conflict Institution Building for Resilience

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Social benefits in the Liberian forestry sector: An experiment in post-conflict institution building for resilience

John Waugh and James Murombedzi

Extractive industries, primarily mining and timber, are the basis for the economy of the West African state of Liberia. During Liberia's back-to-back civil wars (1989–1996; 1999–2003), armed factions assumed control of mineral and forest resources. United Nations sanctions intended to choke the money supply to these armed groups included a ban on the export of logs and timber products. Because the sanctions also choked the money supply for the post-conflict government, lifting them became a top priority. Thus, the sanctions created an opening for major forest policy reform, which culminated in the 2006 National Forestry Reform Law (NFRL) and the 2009 Community Rights Law (CRL).¹

Through the forest policy reform process, Liberian law explicitly recognized community interests in, and need for benefits from, the forest estate. Not only did the reforms close loopholes that could be exploited to finance violence and oppression, but the reform process itself was an important effort to address one of the principal underlying causes of conflict in Liberia: the concentration of wealth and power in urban elites at the expense of the wider citizenry (Sawyer 2005). Public participation in, and the decentralization of, decision making concerning access to and use of natural resources are the basis for effective governance. Public participation and decentralized decision making also help to build trust and shared understanding, which are conditions vital to greater economic and social resilience (Lebel et al. 2006).²

Under the CRL and NFRL, forest communities may receive benefits in several ways. As set forth in the CRL, communities gain use rights through the designation of community forests. In the case of commercial forestry, benefits may

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¹ These laws are formally known, respectively, as An Act Adopting the National Forestry Reform Law of 2006 and An Act to Establish the Community Rights Law of 2009 with Respect to Forest Lands.

² Resilience is the potential of a system (in this case, a social system) to reorganize and continue functioning after a disturbance (Walker et al. 2002).

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be provided through revenue-sharing arrangements with the national government, through social agreements with concessionaires, or both. Social agreements are stipulated in the NFRL and are mediated and regulated by the Forestry Development Authority (FDA), which oversees community forestry, industrial logging concessions, and conservation.

Benefit sharing creates an important precedent for land use decisions in Liberia: moving forward, it will be difficult to talk about land use—either for natural resource extraction or for conservation—without taking into account compensation for affected parties. This new perspective creates both challenges and opportunities: because it is now possible to compare the benefits of different types of land use, and because the long-term benefits of conservation cannot be monetized as easily as the short-term benefits of cut timber,³ it may be hard for communities to resist the appeal of logging.

Nevertheless, there is evidence—such as the comanagement agreements signed by the East Nimba Nature Reserve and neighboring communities—that communities are interested in securing not only monetary benefits but also less tangible benefits, including the protection of ecosystem services and aesthetic and cultural assets (GOL 2010). Such evidence militates in favor of defining benefit sharing as a package consisting of three parts: revenue sharing, social agreements, and comanagement arrangements.

The goal of this chapter is to describe Liberia's bold experiment in sharing benefits from natural resource extraction with affected communities, with a particular focus on the first two elements in the benefit-sharing package: revenue sharing and social agreements.⁴ Liberia's experiment holds important lessons for natural resource management in other countries, and may have implications for the development of mechanisms designed to ensure equity when large areas of forest are set aside for carbon mitigation. The chapter is divided into five sections: (1) background information on the role of timber in Liberia, during the pre-conflict, conflict, and post-conflict periods; (2) a brief discussion of benefit sharing and social agreements; (3) an analysis of Liberia's experiences with benefit sharing; (4) a description of barriers to the implementation of benefit-sharing arrangements; and (5) a brief conclusion.

BACKGROUND

Liberia's first civil war began in 1989, when a series of armed factions invaded the country in an attempt to overthrow military dictator Samuel K. Doe. After

³ In fact, it may be possible to monetize the benefits from conservation under some arrangements, including the comanagement of low- or nonconsumptive uses, such as tourism and the exploitation of nontimber forest products, and under carbon credit-trading schemes, such as the proposed mechanism for reducing emissions from deforestation and forest degradation.

⁴ Financial arrangements and other benefits are only a part of the effort that is under way to enfranchise marginalized communities. Comanagement arrangements are growing in importance, and the evolution of community forestry in Liberia requires more thorough treatment than is possible in this chapter.



Doe's death at the hands of one faction, competing rebel armies spent the next four years vying for control of the countryside. In 1995, Ghana's president, Jerry Rawlings, brokered a ceasefire, but fighting broke out again in 1996. In August of 1996, the combatants agreed to disarm; and in 1997, Charles Taylor, leader of the most prominent faction, was elected president (Ellis 2006).

The origins of the conflict are complex. Under the pattern established by the Americo-Liberians who founded the republic, the benefits of the state and the resources it controlled were enjoyed by the urban elites, and rural populations were subjugated and deprived of access to services and resources.⁵ This pattern continued after 1980, when army sergeant Doe, an ethnic Krahn, overthrew William Tolbert, the last of the Americo-Liberian heads of state. Doe, however,

⁵ Until 1980, the term *urban elites* referred primarily to the Americo-Liberian establishment; after the 1980 coup, the pattern of urban domination was continued, but the Americo-Liberians were largely displaced by supporters of the government in power.

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avored people who, like the Krahn, came from the eastern forest areas. Doe's favorable treatment of the Krahn and other easterners was at the expense of other groups, particularly the Mano and Gio in the north, whom Doe distrusted. It was these marginalized groups that formed the power base for several rebel factions, including Charles Taylor's National Patriotic Front of Liberia.

Further complicating matters, Libya—in an effort to expand its influence over sub-Saharan Africa—became involved in the Liberian civil war, both directly and through its proxies in Burkina Faso and Côte d'Ivoire (Global Witness 2001; Ellis 2006). Financial support from Libya and troops from Burkina Faso made Taylor's insurgency possible, but were apparently insufficient to support Taylor once he had seized control of the countryside. Taylor then turned to natural resources to fund his insurgency—and, after he became head of state, in 1997, continued to plunder the natural resource base (UNSC 2002a). In addition, Taylor's support of Foday Sankoh's Revolutionary United Front (RUF), in Sierra Leone, gave Liberia significant control over diamond production in that country. At its peak, the RUF's annual income from diamonds was US\$125 million (Global Witness n.d.).

On March 7, 2001, in the wake of a report from a UN panel of experts implicating Liberia in the provision of support to the RUF, which included trading in illegal diamonds, the United Nations Security Council (UNSC) adopted Resolution 1343 (UNSC 2001a). To block combatants' access to money and arms, the resolution reiterated the demands expressed in an earlier arms embargo and imposed a ban on imports of rough diamonds from Sierra Leone. The resolution also established a panel of experts to monitor implementation of the resolution.⁶

To supplement regular Liberian troops, Taylor relied on militias, for whom plundered natural resources were a major source of financing. In some cases, militia leaders had direct control over timber operations; in other cases, logging companies paid militias to run the operations. In 2000, Liberian timber revenues were estimated to be US\$106 million, but the state received only US\$7 million (Global Witness 2001).

Armed conflict resumed in 1999, with the emergence of Liberians United for Reconciliation and Democracy (LURD), a rebel group that was dominated by the Mandingo and Krahn who had formerly been allied with Doe. LURD's successes against the Liberian army led to another brokered peace agreement—and to Taylor's resignation and flight into exile, in August 2003.

As the Taylor regime crumbled, the UNSC attempted to enforce its arms embargo by choking the flow of money from natural resources to combatants. Resolution 1478 required Liberia to establish a certificate-of-origin regime for rough diamond exports, and banned all UN member states from importing round logs and timber products originating in Liberia (UNSC 2003a, 2003b). Timber

⁶ UNSC resolutions 1385 and 1408 further extended sanctions (UNSC 2001b, 2002b).

constituted a major portion of Liberia's foreign exchange earnings; at the time of the ban, thirty-six timber companies, with revenues of over US\$100 million, were operating in Liberia (FDA 2007).

The Liberia Forest Initiative (LFI) was launched in 2004, under the leadership of the U.S. Department of State. Working with the FDA and other Liberian government agencies, the LFI supported the development and implementation of reforms that would allow the ban on logging imports to be lifted. The LFI involved a range of actors—including multilateral institutions, such as the World Bank, the Food and Agriculture Organization of the United Nations, and the International Monetary Fund; and nongovernmental organizations (NGOs), such as Conservation International, Fauna and Flora International, and the Environmental Law Institute (Altman, Nichols, and Woods 2012).

In 2005, Ellen Johnson Sirleaf, a former treasury official (under Doe) and World Bank official, was elected president of Liberia. As the country emerged from more than a decade of civil strife, Johnson Sirleaf's priority was to restore the economy, which meant that lifting the UN sanctions was essential (McAlpine, O'Donohue, and Pierson 2006).

The NFRL included measures to combat illegal logging, promote sustainability in the forest sector, protect biological diversity, and share the benefits of logging with those who were most affected by it—namely, the communities in and around forest concession areas. With the commitment to reform in the forest sector demonstrated by the cancellation of all existing timber concessions and the imminent passage of the new forest law, the UNSC lifted the ban on the importation of Liberian timber (UNSC 2006).

BENEFIT SHARING AND SOCIAL AGREEMENTS

As used in this chapter, *benefit sharing* entails a transfer of resources from extractive industries or their government regulators to communities that are affected by the resource extraction—affected either directly, through loss of access to or use of a natural resource, or indirectly, through the impacts of the industrial activity, such as a decline in air quality. Benefits may be direct (such as cash payments) or indirect (such as jobs, services, and amenities).⁷ Benefit-sharing arrangements are relevant to virtually all extractive industries, including forestry, minerals and mining, fisheries, and even industrial-scale agricultural developments. They are also relevant to carbon sequestration schemes that can restrict local access to natural resources for certain uses, such as the international mechanism for reducing emissions from deforestation and forest degradation

⁷ Other types of benefit-sharing arrangements include trust funds, tax rebates or reductions, public-private partnerships, and payment schemes based on ecosystem services such as watershed management and biodiversity offsets. For a detailed discussion of benefit-sharing arrangements, see World Bank (2009).

(REDD) being developed under the aegis of the UN Framework Convention on Climate Change and various voluntary forest-based carbon-mitigation schemes.⁸

In general, the term *social agreement* refers to direct arrangements between extractive firms and affected communities, in which a firm agrees to provide certain benefits—such as employment opportunities for local people; or amenities such as schools, roads, or water supplies—in exchange for the communities’ agreement not to interfere with the extractive activity. Since the early 1990s, social agreements have increasingly been formalized through contracts that include, in addition to benefit-sharing arrangements, explicit provisions for local participation in decision making about natural resource management (de Wasseige et al. 2009; World Bank 2003). Implicit in these agreements is the acknowledgment of the legitimacy of the communities’ rights to the natural resources in question.

All countries in the Congo Basin have legislative provisions for revenue sharing with communities that are affected by logging.⁹ Under Cameroon’s provisions, for example, which are arguably the most advanced, rural councils receive 40 percent of annual forestry fees imposed on concessionaires, and an additional 10 percent is reserved for villages adjacent to exploited forests; the forest fees vary with the size of the concession. In 2007, rural Cameroonian communities received €10.2 million (de Wasseige et al. 2009).

Having benefit-sharing arrangements on paper, however, does not always lead to meaningful benefits for communities. A World Resources Institute (WRI) study of Cameroon’s benefit-sharing arrangements, for example, found that relatively little of the 10 percent reserved for villages actually translated into benefits during the period of study (Morrison et al. 2009). WRI concluded that the revenue-sharing system is failing to achieve its stated goals and is also falling short of the expectations of both villagers and logging concessionaires. Moreover, significant amounts of money were unaccounted for, and projects were funded that had not been identified as being of high priority to the communities in question. Such accountability problems often stem from poor design and inadequate capacity (Waugh 2010, 2011).

Dysfunctional social agreements (for example, those that fail to meet either their stated goals or the expectations of participants) can debase social capital and corrode trust—which can, in turn, contribute to conflict. One way to improve the functionality of social agreements is to quantify the opportunity costs that natural resource extraction and related activities create for communities, and to negotiate agreements based on agreed-upon valuations of such costs.

⁸ Benefit sharing is particularly relevant to REDD because of the mechanism’s explicit intent to compensate communities for lost opportunities for natural resource use; if the displacement of populations into other forest areas (resulting in carbon “leakage”) is to be avoided, however, successful REDD programs will have to incorporate compensation. The so-called REDD+ formulation explicitly addresses the social benefits of carbon mitigation.

⁹ The countries in the Congo Basin are Cameroon, the Central African Republic, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, and the Republic of the Congo.

LIBERIA'S EXPERIENCES WITH BENEFIT SHARING

In Liberia, benefit sharing takes two forms: (1) trust funds, which hold fees collected from extractive industries; and (2) social agreements between communities and extractive firms. The examples of benefit sharing discussed in this chapter are drawn mainly from Liberia's forestry sector, for two reasons: first, timber played an important role in the Liberian conflict; second, the UN ban on Liberian timber and timber products led to reform in Liberia's forestry sector, including the establishment of a trust fund mechanism that was unknown in the mining sector. Some of the developments in the forestry sector, however, were informed by experiences in the mining sector.

Post-conflict experiments in benefit sharing: The mining sector

In post-conflict Liberia, social agreements first emerged in the mining sector. The agreement between the government of Liberia and the Liberian subsidiary of ArcelorMittal, a minerals and mining conglomerate that is also the world's largest steel producer, took the form of a public-private partnership known as the County Social Development Fund. By default, this agreement became the model on which further benefit-sharing schemes were based—including the National Benefit Sharing Trust,¹⁰ which is the vehicle through which the benefits of the timber sector are shared. If for no other reason than that it provided Liberia with the opportunity to acquire experience with social agreements, the County Social Development Fund was a positive development (Waugh 2010).

Under the minerals development agreement (MDA) between ArcelorMittal and the government of Liberia, the County Social Development Fund receives an annual contribution of US\$3 million from ArcelorMittal, to be shared between Bong, Grand Bassa, and Nimba counties. The purpose of the payments is twofold: to compensate for open-cast iron mining in Nimba County,¹¹ and to compensate for a rail corridor that was built to move the ore through Bong and Grand Bassa counties to the port of Buchanan.

The MDA also required the establishment of the Dedicated Funds Committee (DFC), which determines how funds will be used. The committee has five member institutions: the Ministry of Finance; the Ministry of Lands, Mines, and Energy; the Ministry of Planning and Economic Affairs; the secretariat of the Liberia Reconstruction and Development Committee; and ArcelorMittal. ArcelorMittal pays its annual contribution to the Ministry of Finance, which transfers the funds to a single bank account, for which the chairman of the DFC and ArcelorMittal

¹⁰ Although the phrase "National Community Benefit Sharing" is used in Forestry Development Authority Regulation No. 106-07: Regulation on Benefit Sharing, that wording was dropped in subsequent regulations, in favor of "National Benefit Sharing."

¹¹ In open-cast mining (sometimes called "open-pit mining"), ore is removed from open-air operations instead of through an underground shaft. In Nimba County, iron ore mining involves not only pits but also mountaintop removal.

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Liberia's designated representative are the signatories. Although the MDA requires that the account be subject to an annual independent audit, "independent" is not defined (Siakor, Urbaniak, and de Clerk 2010; Waugh 2010).

Because the MDA did not specify how the DFC was to operate, the committee developed and adopted its own terms of reference (Siakor, Urbaniak, and de Clerk 2010; ArcelorMittal and GOL 2009). The DFC then worked with county development management committees (CDMCs) for the three counties to develop terms of reference and operational guidelines for projects that would be funded by the County Social Development Fund. The terms of reference specify that the president of Liberia will appoint new members of the CMDCs, and that the minister of internal affairs will chair the CMDC meetings. Under the MDA, the CMDCs are responsible for determining development priorities that reflect the concerns of all stakeholders at the village, town, chiefdom, district, and county levels (Siakor, Urbaniak, and de Clerk 2010; ArcelorMittal and GOL 2009).

CDMCs apply for funds through a complex process in which projects must be justified on the basis of selection criteria that address basic socioeconomic needs. In addition, projects must abide by government procurement rules, including requirements for competitive bidding; contracts must be overseen by the relevant ministries; and escrow accounts must be used to transfer money to the CDMCs. The withdrawal of funds from these accounts is subject to checks and balances (Siakor, Urbaniak, and de Clerk 2010; Waugh 2010; ArcelorMittal and GOL 2009). Despite these safeguards, however, NGOs that have been observing the process have criticized the County Social Development Fund for issuing grants that do not meet its own guidelines, for lacking dispute resolution or grievance procedures, and for inadequate public participation (Waugh 2010; Siakor, Urbaniak, and de Clerk 2010).

Social agreements under the forestry reform process

In the forestry realm, chapter 5 of the NFRL directs the FDA to "institutionalize the participation of communities in forest management"; specifically, it authorizes the FDA to require social agreements between concession holders and communities that define "the parties' respective rights, roles, obligations, and benefits to one another." Finally, FDA Regulation No. 104-07 stipulates as follows:

The Authority shall not proceed with offering a proposed FMC [forest management contract] or TSC [timber sales contract] unless the Authority has obtained free prior informed consent, in writing, from Community Forestry Development Committees representing all Affected Communities . . . to negotiate in good faith a social agreement with the winning bidder and subject themselves to independent arbitration should those negotiations not reach a satisfactory conclusion.¹²

¹² Forestry Development Authority Regulation No. 104-07: Regulation on Tender, Award, and Administration of Forest Management Contracts, Timber Sale Contracts, and Major Forest Use Permits, pt. 3, sec. 22 (j)(1). *Affected Communities* are defined as (1) those who live adjacent to or within forest concessions, (2) users of forest resources, or (3) those who are otherwise determined, through a consultative process, to be affected.

Under section 33 of FDA Regulation No. 105-07,¹³ the social agreement must contain all of the following elements:

- A publicly available code of conduct governing the rights and responsibilities of (1) members of the affected communities, and (2) the concession holder and its employees, contractors, and other associates.
- A description of the financial benefit that the affected communities will receive from the concession holder (a minimum benefit of US\$1 per cubic meter of harvested log is required).
- A requirement that the benefit be paid quarterly into an escrow account that the concession holder will maintain in trust on behalf of all affected communities.
- A requirement that the concession holder release funds from the escrow account for the benefit of an affected community only upon written request from a duly constituted community forestry development committee (CFDC) and with the consent of the FDA.¹⁴
- A dispute resolution mechanism.

Despite the rules governing social agreements, enforcement lags, actual practice remains inconsistent, and some social agreements are flawed and should be renegotiated (SDI 2010a). Among the concerns that communities have expressed about the social agreement process are the following:

- Companies have negotiated in bad faith.
- Elected officials have pressured communities to agree to terms that are not in their best interest.
- Companies have been reluctant to renegotiate bad agreements.
- Companies have transferred agreements to other communities, to avoid opening new negotiations.
- Companies have refused to negotiate at all.
- Companies have failed to be accessible and transparent (for example, they are reluctant to share information on revenues and production levels).
- The agreements fail to specify an individual or office within the company that is responsible for implementation.
- Companies lack regard for custom and culture.
- Boundaries are inconsistently applied or are applied in ways that are incompatible with land tenure, as defined by the customs and traditions of the community.¹⁵

Such concerns foster an atmosphere of suspicion and distrust that undermines the effectiveness of social agreements—and, ultimately, the rule of law. They are thus a source of concern to the FDA, which is attempting to improve the development and enforcement of social agreements. Finally, concerns about the social

¹³ Forestry Development Authority Regulation No. 105-07: Regulation on Major Pre-Felling Operations under Forest Resources Licenses.

¹⁴ The constitution of the CFDCs is specified in FDA Regulation No. 105-07, pt. 6.

¹⁵ These points were drawn from SDI (2010b).

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agreement process have affected how stakeholders have approached negotiations for the establishment of the National Benefit Sharing Trust (Waugh 2011).

The National Benefit Sharing Trust

In addition to the social agreements between logging concessionaires and communities described above, the reform regulation provides for a new instrument, the National Benefit Sharing Trust, to share portions of the revenues collected by the government with the affected communities. Under the NFRL, 30 percent of the land rental fee charged to timber concessions is reserved for affected communities, and an additional 30 percent is earmarked for distribution to county governments nationwide.¹⁶ Regulation No. 106-07, which elaborates further on benefit-sharing arrangements, (1) stipulated the National Benefit Sharing Trust as the mechanism for benefit sharing and (2) designated the CFDCs as the representatives of community interests.¹⁷

Perhaps mindful of concerns that had been expressed about social agreements in the forestry and mining sectors, the FDA instituted an advisory committee for the benefit-sharing scheme to ensure that the design of the trust, to be specified in a new regulation, would be subject to a more inclusive process. The committee, which consisted of representatives from government, civil society organizations, and affected communities, drafted the terms of reference for the trust, including a regulation that was subsequently adopted by the FDA. The advisory committee (1) specified mechanisms for determining eligibility for the receipt of funds that had been set aside for communities under the NFRL and (2) recommended that the board of the trust operate under standards of transparency and accountability. Under these standards, the board would be subject to annual independent audits, would file quarterly financial status reports to the CFDCs, and would publish biannual public reports—including board decisions, meeting minutes, expenditure records, independent audit findings, and records of complaints.

In April 2011, on the basis of recommendations from the advisory committee, the FDA published Regulation No. 111-10, which established the National Benefit Sharing Trust. The following are among the most significant provisions in the regulation:¹⁸

- *Board composition.* The board consists of two government representatives, one representative from an NGO, one representative from an international donor organization, one timber industry representative, and three representatives from CFDCs.

¹⁶ The organization and governance of the trust are detailed in Forestry Development Authority Regulation No. 111-10: National Benefit Sharing Trust Fund.

¹⁷ FDA Regulation No. 106-07; see also FDA (2007) and FDA Regulation No. 111-10.

¹⁸ FDA Regulation No. 111-10.

- *Remuneration and expenses.* Board members receive no remuneration for their participation. Only 5 percent of total receipts can be used for administration; all other funds are to go to communities.
- *Fund disbursement.* Within broad parameters, communities are free to propose how they wish to use the funds available to them. The only stipulations are the following: (1) the funds will be used for public benefit; (2) the recipients must meet eligibility requirements as affected communities; and (3) communities must specify in advance how they propose to use the funds. Projects must also meet strict reporting and accountability requirements.
- *Monitoring and evaluation.* Communities must monitor and evaluate projects, in order to build capacity to deliver more effective results over time.

Implementation of the National Benefit Sharing Trust began in the second quarter of 2011.

BARRIERS TO IMPLEMENTING BENEFIT-SHARING ARRANGEMENTS

As noted in the previous section, projects funded by the National Benefit Sharing Trust must meet strict accountability requirements. Accountability, in turn, requires decision-making capacity at the local level. Thus, the first major challenge for benefit-sharing arrangements is the recipients' capacity to manage resources. When authority is devolved to the local level, communities need support in order to manage their own resources and development priorities.

Currently, community capacity is being strengthened by thematically and geographically diverse programs sponsored by international organizations and local and national NGOs—an arrangement that yields overlap in some places, gaps in others, and overall incoherence. But by building on the foundations of such training, Liberian society can ramp up community capacity through a modular, collaborative approach. The process of developing and working toward a common set of standards for community development training will help to unite Liberian communities around a common development vision and a shared recognition of their capabilities, both of which are important elements in nation building (Waugh 2011).

The organization of the benefit-sharing arrangements (the National Benefit Sharing Trust and the CFDCs) is largely the result of centralized legislative and administrative decisions—and, as a result, is inherently weak.¹⁹ However, these arrangements are an important step in devolving decision making to the level of those who are most affected, and should therefore be understood as a step in the unfolding process of governance in Liberia. The significance of these benefit-sharing arrangements lies in their role in the evolution of community self-organization.

¹⁹ See Agrawal and Ostrom (2001).

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Empowering communities by providing them with direct access to financial resources defies conventional wisdom in Liberia. For example, during interviews that coauthor John Waugh conducted in Liberia in 2010, well-educated representatives of business, government, and civil society argued that rural communities lack the capacity to spend shared money effectively, and warned that the money would be lost, stolen, or misspent, either by community members or by predators from outside the community. Such responses are common among entrenched elites seeking to justify retaining control (Ribot 2004). Interestingly, although members of elites commonly claim that communities mismanage financial resources, there is little substantiation of this claim—indeed, there are few opportunities for communities to manage financial resources at all. The misuse of power and resources by the same elites that refer patronizingly to rural communities, on the other hand, is well documented (Sawyer 2005).

Only 50 percent of CFDCs are currently incorporated, primarily because of two constraints: (1) the cost of probating, or obtaining official approval of the articles of incorporation (approximately US\$200), and (2) the cost of convening a public meeting, which is part of the incorporation process (approximately US\$300). The total cost of completing the process for nine unincorporated CFDCs would be between US\$1,800 and US\$4,500 (Waugh 2011). In 2007, Liberia's annual per capita income was US\$170, so these fees constitute an almost insurmountable obstacle in poor communities (UNICEF n.d.).

Additional capacity deficiencies further hinder effective implementation of benefit-sharing arrangements; in particular, Liberia faces capacity challenges in the following areas:

- Project management, including monitoring and evaluation.
- Stakeholder engagement and conflict management.
- Policy and law.
- Community development and infrastructure.
- Natural resource management.

For the purpose of implementing benefit-sharing arrangements, the first three types of capacity provide an enabling environment that should be well established before the authority to make technical decisions about natural resource management is transferred (Ribot 2004). Technical skills are important, but they can be effectively deployed only after the fundamentals are addressed (Waugh 2011).

Ultimately, such an enabling environment could permit the development of capacity to make decisions not only about the allocation of benefits, but also about the allocation of the forest resources themselves. Benefit-sharing arrangements could thus evolve, over time, in the direction of greater community involvement in forest management (the third component of benefit sharing, as noted earlier in the chapter).

It is not only community capacity that lags. Government capacity can also be stretched thin by the requirements of benefit-sharing arrangements. In Liberia, sector- and contract-specific benefit-sharing arrangements have proliferated, and

both require the oversight and participation of government and civil society. For example, each fund established under an MDA has a separate governing body that requires the attention of government officials. To ensure that the conditions for success are not undermined by inefficient use of government resources, those who promote the use of social agreements must take the need for coherence into account. One advantage of the board of the National Benefit Sharing Trust is that it permits governance and accountability arrangements to be clustered in a single body.

The second challenge for benefit-sharing arrangements is defense against rent-seeking behavior.²⁰ As noted earlier, influential members of the community—including politicians, customary authorities, government representatives, and those who have more formal education than the majority of the population—often justify retaining control of decision-making processes by arguing that the community must be protected from economic predators. But in practical terms, when the interests of the established order take precedence, subtle forms of rent-seeking behavior often result.

Among the remedies for rent-seeking behavior are transparency; greater awareness, on the part of residents, of the community's need to take responsibility for its own decisions; and increased sensitivity, on the part of authorities, to the necessity of allowing communities to build capacity by making their own decisions about their own funds. In structuring benefit-sharing arrangements, great care must be taken to manage conflict, which inevitably emerges when factions within communities disagree over the use of funds. Skills in conflict management, and in project monitoring and evaluation, are essential to community development within this framework; thus, training in these areas should be considered a priority. Favorable conditions for learning and information exchange foster successful local governance outcomes by promoting understanding, thus creating the space for consensus to emerge (Andersson 2006).

Finally, in designing benefit-sharing arrangements, some attention will need to be paid to equity between communities. The current arrangement, under the National Benefit Sharing Trust, which allocates funds on the basis of concession size and defines "affected communities" as those residing within three kilometers of the concession boundary, may create winners and losers, and may even create a perverse incentive.²¹ Assigning responsibility, at the national level, for administering benefit sharing to a single authority would yield consistent rules and render the benefit-sharing process easier to monitor. Such a management authority is already in place,

²⁰ *Rent-seeking* means obtaining economic gain by manipulating rules rather than by adding value.

²¹ It is possible to envision situations in which communities that fall outside the definition of "affected community" would actively support logging over community forestry—for example, if the shorter-term gains from a timber concession appeared to outweigh the longer-term benefits of community forestry. Because such perceptions could be exploited by extractive industries seeking to rally public support for concessions, the relevant authorities should be on the lookout for efforts on the part of such industries to spread disinformation.

in the form of the National Benefit Sharing Trust board, which has the advantage of a composition that includes a strong plurality of community representatives.

In the future, pooling revenue in an endowment that invests in community development would help to spread benefits more broadly, including among communities that are not directly affected by natural resource extraction; such pooled funds could include revenues from conservation, such as tourism and payments for ecosystem services, as well as from extraction, so that more communities can participate in the benefits of land use decisions made by others. As benefit-sharing arrangements evolve, these and other refinements to current approaches may become possible.

CONCLUSION

Unless certain conditions are met, communities cannot negotiate as equal partners, and social agreements will perpetuate historic patterns (Sawyer 2005)—namely, the tendency for extractive firms to treat communities paternalistically in order to secure access to natural resources. The conditions that can promote true partnerships include the following: clear understanding, on the part of communities, of their rights and the government's responsibilities; transparency about the costs and benefits of forest use by government and industry; and explicit acknowledgment of community rights by all.

Benefit-sharing arrangements, as embodied in Liberia's post-conflict forest reform process, can help to bring equity and accountability to the management of natural resources and can serve as an important portal to participation in authentic democratic processes that will lead to a more resilient society. The benefits available through social agreements and the revenue-sharing arrangements facilitated by the National Benefit Sharing Trust are small. For example, a preliminary estimate, based on concession size, indicates average annual payments to individual CFDCs from the National Benefit Sharing Trust of between US\$37,500 and US\$50,000 for the life of a concession (Waugh 2010).²² Such amounts are hardly sufficient to sweeten the scent of dust from the logging trucks,

²² This estimate is based on the following assumptions: 1 million hectares of forest are under contract annually; land rental fees are US\$2.50 per hectare; and between fifteen and twenty concessions are under full production. There has been some confusion about the sources of revenue for the National Benefit Sharing Trust: some critics have asserted that the FDA exercises too much discretion in levying fees and in not collecting the full amount from concessionaires; there have also been assertions that the government is not forwarding some of the collected funds to the National Benefit Sharing Trust, as is required by law (see, for example, SDI 2010a). To answer these criticisms, two issues must be addressed: (1) lack of transparency on the part of the FDA and (2) lack of clarity, on the part of both the FDA and civil society observers, regarding interpretation of the law. The FDA is obligated to provide a full accounting of funds and funding projections to the board of the National Benefit Sharing Trust, and the board is obligated to be transparent in its financial dealings; if both parties meet their obligations, the issue of transparency should be put to rest. Disagreements concerning interpretation of the law, on the other hand, may result in litigation.

but they may be instrumental in transforming Liberia, by creating institutions that are “organized through processes of decision-making characterized by informed discourse among the people of a society” (Sawyer 2005, 1).

Achieving this ambitious goal will require, however, that Liberians develop the habit of continuous learning through monitoring and evaluation. Monitoring and evaluation should be embedded within all decision-making processes; such an arrangement may seem cumbersome, but the payoffs—in terms of both effective planning and the management of efforts to meet goals—are immeasurable. The donor community can assist by building the nation’s capacity to undertake monitoring and evaluation.

Liberia is a *de facto* laboratory for participatory governance in post-conflict situations; thus, it can be argued that the country is a prototype for a “second generation” of benefit-sharing recommendations. These recommendations are broad in scope and are based on lessons from the first tranche of social agreements. Depending on developments in the early years of operation of the National Benefit Sharing Trust, Liberia may also become a platform for the development of regional capacity in participatory governance and benefit sharing.

Liberia’s experiment in benefit sharing has implications beyond its borders. UN-REDD projects, for example, involve the payment of carbon credits in exchange for activities that reduce deforestation and forest degradation. To be effective, these credits must benefit forest communities. Where forests are tied to communities through traditional tenure, or where communities are otherwise dependent on forests for their livelihoods, such payments compensate people for lost opportunities, and thereby function as financial benefit-sharing arrangements.

There are comparatively few examples of effective benefit-sharing arrangements in the forest sector. Although a significant amount of effort has been expended, especially in the Congo Basin, to develop UN-REDD projects, little progress has been made in the development of specific arrangements for sharing financial benefits. The failure to build effective benefit-sharing arrangements into the design of such projects from the outset, through an open and transparent process involving all stakeholders, increases the likelihood that the distribution of income from carbon credits will be contested, and must therefore be regarded as a considerable risk to the enterprise. Liberia’s model provides an opportunity to study benefit-sharing approaches, and is thus an important contribution to the evolution of natural resource management, including management in post-conflict situations.

The experiment under way has the potential to transform Liberia from a country that had long been written off as a difficult case into a leader in the evolution of African social equity. There is still significant ground to cover before that happens. The story is incomplete, and success is not assured.

EPILOGUE

Liberia’s forest sector has experienced several setbacks since the establishment of the National Benefit Sharing Trust. In 2012, the FDA was rocked by scandal, when it was discovered that senior officials were exploiting weaknesses in forest

regulations to illegally grant private-use permits (PUPs) for logging concessions. PUPs are only available for private land, and very little of Liberia's forestland is legally titled and privately held. Notwithstanding this, PUPs were issued for a staggering 25 percent of the land area of Liberia, presumably on the basis of fraudulent titles. Sixty-three illegal PUPs, covering as much as 40 percent of Liberia's forests, were granted to loggers before the exploit was uncovered (Global Witness, Save My Future Foundation, and SDI 2012). In 2012, 65 percent of Liberia's timber exports originated in land illegally logged under PUPs. Eight officials, including the head of the FDA, were indicted on February 22, 2014. The government is in the process of cancelling the illegal permits. However, there are alarming indications of a shift in focus by logging companies to community forest management agreements (CFMAs) that allow community-based timber extraction. After the moratorium on PUPs was imposed in August 2012, the number of applications for CFMAs shot up sharply; sixteen months after the moratorium, NGO watchdogs reported twenty-three new applications, fourteen of which showed the involvement of a logging company. Persons unknown to the relevant communities signed several of the applications as community representatives (Global Witness 2013a). Ongoing exploitation of legal loopholes and weak regulatory authorities to gain access to Liberia's forest resources will continue to provide significant challenges to the government for the foreseeable future.

This exploitation is a direct threat to the benefit-sharing arrangements. At the same time that the PUP scandal was unfolding, FDA allowed logging concession holders to export roundwood even though they were in arrears on the land rental fees that were to be directed to the National Benefit Sharing Trust (PROFOR 2013). And while data collected by the timber chain-of-custody system showed where payments had been made (Making the Forest Sector Transparent n.d.), no money was transferred into the account of the trust for three years after it became operational. By October 2013, the Liberian Extractive Industries Transparency Initiative reported US\$777,949.50 in arrears (Global Witness 2013b). Unconfirmed reports, in June 2014, indicated that some arrears had been paid to the National Benefit Sharing Trust. These payments could not be verified at the time of writing, but if true, could mark the beginning of a turnaround in the effort to incorporate communities in the management of Liberia's forests.

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