KEEPING THE FORESTS STANDING

OPTIONS FOR GENERATING SUSTAINABLE INCOME FROM NON-EXTRACTIVIST USE OF FOREST RESOURCES IN LIBERIA

OPTIONS PAPER | COMMUNITY LAND & FOREST GOVERNANCE FUTURES

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FOREWORD

Without benefits to the local population their decision to protect so much forest is unlikely to endure. Very poor communities can and do decide to give up their forest land to industrial agriculture or logging if they see no other way to making a livelihood. Whilst there is the prospect of results-based carbon revenues arriving in the next decade it may not be in time for many forests… Faster ways are needed that may require donors and governments to be a little less risk averse, to remove a few of the layers of complication and 'countability', and to work on existing empirical evidence that communities with agency invariably find their own solutions to collective action problems such as deforestation.

— **Matthew Spencer**, Global Director, Landscapes, IDH[1] and Reuters[2], 2023.

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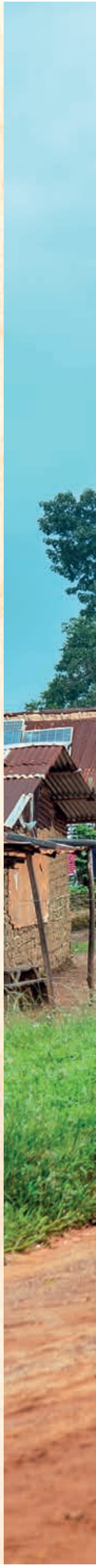
CONTENTS

LIST OF ABBREVIATIONS

AfDB	African Development Bank
ARREST agenda	Agriculture, roads, rule of law, education, sanitation, and tourism
CBD	Convention on Biological Diversity
CBPAFM	Community based protected area and forest management project
CFDC	Community Forestry Development Committee
CFMA	Community Forest Management Agreement
CLARIFI	Community Land Rights and Conservation Finance Initiative
CLDMC	Customary Land Development and Management Committee
CLF	Customary land formalisation
CLIMT	Community Land Intervention Monitoring and Management Tool
COP	Conference of Parties
CSO	Civil Society Organization
EU	European Union
FDA	Forestry Development Authority
FMC	Forest Management Contract
FPC	Forests, People, Climate
FPIC	Free prior informed consent
GATC	Global Alliance of Territorial Communities
GDP	Gross Domestic Product
GHG	Greenhouse gas
GoL	Government of Liberia
Ha	Hectares
IDH	IDH Sustainable Trade
ITMO	Internationally Transferred Mitigation Outcome
JIC	Joint Implementation Committee
Km	Kilometre
LFSP	Liberia Forest Sector Project
LLA	Liberia Land Authority
M^3	Cubic metres
MFGAP	Multi-stakeholder Forest Governance and Accountability Programme
NBST	National Benefit Sharing Trust
NDC	Nationally determined contribution
NGO	Non-Governmental Organization
NMSMC	National Multi-Stakeholder Monitoring Committee
NUCFDC	National Union of Community Forestry Development Committees
NUCFMB	National Union of Community Forest Management Bodies
PES	Payments for ecosystem services
P/PA	Proposed or gazetted Protected Areas
REDD+	Reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries
SBTi	Science Based Targets initiative
TFFF	Tropical Forests Finance Fund
TSC	Timber Sales Contract
UAE	United Arab Emirates
UK	United Kingdom
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations Collaborative Programme on REDD+
US	United States
VPA	Voluntary Partnership Agreement between the EU the Liberia
Yr	Year



Thriving forests on community doorsteps in Panama Town, Kpanyan District, Sinoe County, 2023. © IDH

Village Saving & Loan Associations (VSLAs) have emerged as a critical provider of access to saving and finance for farmers in Sinoe. VSLA meeting in Wiah Doe Town, Numopoh District, 2023. © IDH

1 INTRODUCTION

This report seeks to inform a discussion amongst communities, civil society, government representatives, and international development partners regarding the future of Liberia's community forests.

It is useful to first be reminded of the forest sector's overarching policy aim in Liberia:

> **"TO CONSERVE AND SUSTAINABLY MANAGE ALL FOREST AREAS, SO THAT THEY WILL CONTINUE TO PRODUCE A COMPLETE RANGE OF GOODS AND SERVICES FOR THE BENEFIT OF ALL LIBERIANS AND CONTRIBUTE TO POVERTY ALLEVIATION IN THE NATION, WHILE MAINTAINING ENVIRONMENTAL STABILITY AND FULFILLING LIBERIA'S COMMITMENTS UNDER INTERNATIONAL AGREEMENTS AND CONVENTIONS."**
>
> - NATIONAL FOREST POLICY AND IMPLEMENTATION STRATEGY, 2006.[3]

Central to this policy is the need for forests to contribute to the economic, social, and environmental development and security of Liberia and its people, especially forests under community control that comprise more than two-thirds of the country's forest area. Unfortunately, the evidence shows this objective is not being achieved under a system predominantly focussed on commercial logging operations: revenues to the state and income to local communities have not met expectations; the high number of conflicts in the sector is of great concern; and deforestation is increasing, not decreasing.

All the main stakeholder groups recognise more must be done. For example in one of its first statements after the Boakai government was installed in early 2024, the Forestry Development Authority (FDA) committed *"to ensure alignment with the Government's long-term goal of attracting forest sector investment, building local enterprises, and respecting communities' rights while ensuring forest resource sustainability."*[4] One of the most recent national-level summits heard presentation after presentation on the challenges of logging company performance, law enforcement and legal compliance, benefit sharing, and ecological sustainability.[5]

Hence, over the last year and with increasing momentum, interest has grown in how to 'keep the forests standing' – i.e. non-extractive management of forest resources in a way that better meets policy objectives. In this regard, the focus, in Liberia and internationally, has largely been on carbon markets, but this is a complex and expensive arena, and takes time to deliver tangible benefits.

This paper, therefore, introduces other forms of climate finance that are simpler and potentially accessible much more quickly. The paper first provides a brief summary of the current status of Liberia's forest tenure regimes, covering both forest management permits and customary land. The main part of the paper then introduces ten options that meet the UN's Framework Convention on Climate Change (UNFCCC's) stipulation for stable (i.e. continuous), adequate and predictable climate finance.[6] Each option has the potential to make a significant contribution to Liberia's international commitment to attain targets to mitigate climate change, known as its nationally determined contribution (NDC).[7] The options are divided into three main groups: i) adaptive payment for performance; ii) direct finance to local communities; and iii) conservation and forest enterprise development.

Research for the paper was largely desk-based and focussed on examples from outside Liberia. It included interviews with 44 government, civil society, and international key informants in August 2024. In order to maintain confidentiality and give equal weight to all interviewees they are not individually identified.

Female member of VSLA signs for a small loan, Wiah Doe Town, Numopoh District, 2023. © IDH

Communities peacefully walk their boundaries to map their land area as part of the Customary Land rights registration process in Dugbe District, Sinoe County, 2023. ©IDH

2 CURRENT STATUS OF LIBERIA'S FORESTS

The most recent inventory estimates available, from 2019, suggest Liberia has some 6.6 million ha of forest.[8] This is distributed across a range of tenure and permit regimes (Table 1), including proposed or gazetted protected areas (P/PAs), industrial logging concessions, community forests and land in the process of customary land formalisation or having obtained formal community title ('CLF land').

CURRENT STATUS OF LIBERIA'S FORESTS

This paper focuses on forest land available to communities, not under state control. This comprises Community Forest Management Agreement (CFMA) areas, CLF land and land previously allocated to Timber Sales Contracts (TSCs). It does not include Forest Management Contract (FMC) land or P/PAs but for completion they are included in Table 1.

Table 1 suggests as much as three-quarters of Liberia is not in FMCs or P/PAs so may be registered as customary land. IDH estimates that 68% of Liberia's forest is under *de facto* community control, i.e. in CFMAs or the CLF process. So, whilst the country remains committed to protecting its forests, this can only be achieved through appropriate and effective incentives for communities to protect their own forest areas.

Some of the categories in Table 1 are likely to overlap so the figures and percentages should be treated with caution. For example, it has not been possible to assess the extent of customary land claims on expired TSC land, or on approved or applicant CFMAs, or on P/PAs.

TABLE 1 FOREST PERMITS AND AREAS

STATUS	NUMBER	TOTAL AREA (HA)	% OF GRAND TOTAL
TSCs (all terminated)	10	50,000	1%
Approved CFMAs	57	1,366,000	14%
Applicant CFMAs	27	[647,000]	7%
Land under customary deed	30	418,000	4%
Customary land applications (high estimate)	[235]	[3,270,000]	34%
FMCs	7	1,007,000	10%
P/PAs	15	1,340,000	14%
Land possibly outside any designation (low estimate)		[1,493,000]	16%
Total land area of Liberia		**9,591,000**	

All figures rounded to 1,000 hectares (ha). Figures in [] are estimates. Some of the categories are likely to overlap.

DEFORESTATION CLIMATE COMMITMENTS

Deforestation appears to be increasing:

- Global Forest Watch estimates that for forests with canopy cover 30% or over, the loss between 2008 and 2012 was under 1% per year but has since increased to an average of over 2% per year.[9]
- Detailed studies commissioned by the EU VPA Support Unit in 2020 estimated the annual deforestation at over 2.2%.[10]
- A study of forest fragmentation reported the proportion of dense forest degrading to open forest doubled from 10% in 2000-06 to 21% in 2012-18. The proportion transitioning from open to 'sparse/degraded' also doubled from 9% to 18%.[11]

Whilst Liberia is not alone in the struggle to meet climate targets, these figures indicate it is moving in the opposite direction from its international commitments. It made these commitments in a number of international forums, primarily the NDC targets it set itself in 2021 (Box 1). Liberia is also a signatory to the 2014 New York Declaration on Forests, calling for the end of natural forest loss by 2030,[12] and the 2015 Africa Landscape Restoration Initiative, where Liberia has committed to restore one million ha of degraded landscape by 2030.[13]

BOX 1 LIBERIA'S FOREST CLIMATE COMMITMENTS

In its 2021 NDC document Liberia committed to the following mitigation targets to reduce emissions and enhance carbon sinks in forested areas.[14] Liberia is required to conduct a stocktake of progress in late 2024 and then to update its NDC commitments in 2025.

2021-2030 MITIGATION TARGETS – FORESTS

- Reduce the national deforestation rate by 50%.
- Reduce greenhouse gas (GHG) emissions from forest conversion by 40% below 'business as usual' [2015] levels.
- Reforest an average of 12,285 ha per year to enhance forest carbon stocks, including through natural regeneration and tree planting through community and school programs.
- Restore 25% of priority degraded forests.
- Enhance carbon stocks through annual carbon sequestration in the urban canopy and the planting of additional trees in urban green corridors.

MITIGATION ACTIONS & POLICY MEASURES – FORESTS

- Increase the designation of community forest area to one million ha and promote sustainable community forest management, including guidelines for sustainable resource extraction (e.g. hunting, artisanal mining, non-timber forest products).
- Convert TSCs into carbon concessions.
- Limit FMCs to 1.6 million ha.
- Establish five new PAs to increase forest PAs to 1.5 million ha, ensuring a 3km buffer zone.

SUSTAINABILITY

There is also concern about the ability of logging operations to maintain a sustainable supply of commercial timber. This is normally regulated through an 'annual allowable cut', which, in 2008, the FDA estimated initially at 750,000m^3 per year, predicting it would reach 1.3 million m^3 by 2011.[15] By 2022, however, the FDA stated *"currently there are no estimates of growth rates or the residual volumes following harvesting, so it is not possible to estimate"* an annual allowable cut, concluding *"the opportunities for allocating more forest resources to either new concessionaires or communities will therefore be dependent on revocation and defining concession boundaries accurately"*.[16]

The FDA's 2022 book summarises the current situation regarding sustainability:

> *Existing forest resources are not able to cater for a thriving formal commercial forestry industry and the demands of informal commercial forestry. If all allocated concessions are given out and become operational, then it is estimated that the formal and informal sector harvesting together will amount to twice the annual allowable cut (biological limit). This will result in significant resource depletion and is a huge challenge for the forestry sector.*[17] — FDA, 2022.

REVENUES AND SOCIAL CONTRIBUTIONS FROM LOGGING

The previous section demonstrated that Liberia's forests are suffering environmentally, and a course-correction is required. There is high potential for community-led forest protection if the right conditions are created. As this section details, communities have lost out from logging, financially and in unfulfilled social obligations, so, as one government interviewee said, *"substantial money needs to go to communities. There needs to be a poverty reduction focus."*

AREA-BASED FEES

There are 47 commercial CFMAs, averaging 25,000 ha each,[18] so every year a company fails to pay, or is absent for whatever reason, a typical community is at risk of forgoing about US$17,000 in land rental.[19] As of July 2024 only ten of these 47 CFMAs have active logging operations.

The FDA reports the total arrears in fees for companies holding permits in 21 CFMAs, as of December 2021, was US$1.24 million,[20] or 8% of that invoiced. This is likely to refer only to land rental arrears due to the state, as it issues its own invoices, and not that due to communities. The data is aggregated across a range of unspecified fees and across companies holding more than one permit, so it is not possible to ascertain what the figure includes. It is likely that arrears to communities are much higher than those to the state but neither the FDA nor the National Union of Community Forest Management Bodies (NUCFMB) monitor this systematically.

The TSCs were conceived as short contracts typically to clear all commercial timber from a 5,000 ha area slated for conversion to other land uses. All ten TSCs were issued in 2010. They were limited by law to three years' duration,[21] but many were allowed to operate for many more years; in 2023 the FDA Board confirmed the termination of all of them.[22] The total arrears in land-related fees for TSCs, as of December 2021, was US$1.1 million,[23] or 57% of that invoiced. This figure did not disaggregate between the arrears due to the state or to affected communities, which, by law, are entitled to 30% of the land rental fees.[24]

Seven FMCs were allocated in 2010, covering one million ha (Table 1). Although each permit lasts 25 years, only one was active as of January 2024.[25] Estimates for area-based fees owed to the state from FMCs and TSCs stand at US$65.4 million invoiced (2008-23), of which US$43.1 million, about 48%, has not yet been paid.[26] Arrears from FMC and TSC area-based fees owed to communities were about US$14.1 million by the end of 2021, or 78% of that owed.[27]

VOLUME-BASED CUBIC METRE FEES

No authoritative data on cubic metre payments to date or arrears owed is available as it hasn't been systematically collected.[28]

An estimated 1.7 million m^3 has been harvested from all operations up to the end of 2022. At US$1.50/$m^3$ this would have generated US$2.5 million in community income. Regarding timber from CFMAs, 180,000m^3 was harvested between 2012 and 2019, which, at US$1.50/$m^3$, would have generated US$270,000 in community income. Annual production from CFMAs nearly doubled between 2015-18 and 2018-19, and that from FMCs more than halved in the same period. This reflects other indications that production has shifted from FMCs to CFMAs in recent years, increasing the importance of community action in sustainable forest management.

SOCIAL DEVELOPMENT – COMMUNITY INFRASTRUCTURE

The logging sector was expected to contribute to community infrastructure to enhance the social development of forest communities in two ways. First, each company-community contract includes contributions in kind whereby the logging company agrees to construct buildings, water supplies and roads, for example, for the benefit of the community (not only for its own purposes).[29] No information is systematically collected on the fulfilment of these contractual obligations.

Second, income to the community fund can be used for similar projects. The share of land rental from FMCs and TSCs must be applied for from the National Benefit Sharing Trust (NBST), which reports funds had been allocated to 74 community projects by mid-2024. Fifty of these are for new buildings (as distinct from maintenance, equipment or activities), including the construction of health facilities, schools, vocational training centres, teacher's accommodation, homes for elderly or vulnerable people, meeting halls, and guesthouses.[30] The average project cost is about US$35,000.[31] The significant arrears presented in the sections above indicate much more could have been achieved if the payments to communities had been in line with legal and contractual obligations.

There is also a perception that, as one interviewee said, *"timber provides the highest revenue for communities,"* but this presumes all payments and contributions to community infrastructure are actually fulfilled, when this is patently not the case and is unlikely to ever have been. In the wider context of the Liberian economy, the sector is not a significant contributor. The sector provides just 1% of government revenue, compared to 13% from mining and 7% from agriculture.[32] This does not include revenue from chainsaw milling, which could represent 3-4% of GDP.[33]

CUSTOMARY LAND

The Liberia Land Authority's (LLA's) Community Land Intervention Monitoring and Management Tool (CLIMT) currently has information on 160 communities in the process of formalising their customary land tenure.[34] As one government interviewee said, CLF is not creating new rights but *"formalises what communities already have."*

The LLA reports 30 communities have been surveyed and registered so far, with a total area of over 400,000 ha (see Table 1), and 21 more have been surveyed and are awaiting the preparation of their deed.[35] Prior to the confirmatory survey there is a reluctance to estimate the areas involved, but IDH data suggests that the 45 CLFs it is supporting up to the point of a confirmatory survey total 2,765,497 ha. Forest cover data is available for 37 of the 45 IDH communities, and this indicates an average of 61% of CLF land is dense forest cover, plus another 33% open forest.[36]

Aerial photo of the Sehyi Forest in Nimba County, 2024. © IDH

CONCLUSION MAKING THE CASE FOR A CHANGE IN DIRECTION TOWARDS CLIMATE FINANCE

In conclusion, after almost two decades, the logging sector is not delivering the financial, environmental, nor social expectations that were promoted from the re-start of the industry following the civil conflict. The failure of the logging sector encourages greater interest from all stakeholders in 'conservation' CFMAs and in climate finance. Depending on what form it takes, this may be easier to regulate, and communities will more reliably get the income owed to them. Compared to logging agreements, it might also free up the time for all concerned to focus more on community organisation, accountability, and project and finance management if less time is spent on mediating disputes between communities and logging companies.

This huge challenge of finding a way for forests to facilitate sustainable development is increasingly apparent, and is fully recognised in the NDC (Box 1) that presents a clear target for reducing the deforestation rate. Yet there is currently no convincing action plan or evidence of success in reaching this target. Other options for generating income for forest communities and revenue for the state must be explored. As the next section – the main part of this paper – lays out, fortunately, there is a wide range of opportunities, some of which are already being actively explored.

Boundary teams meet after their boundary walk to reflect on their joint effort and identify ways in which it can be improved, Dugbe District, Sinoe County, 2024. © IDH

3

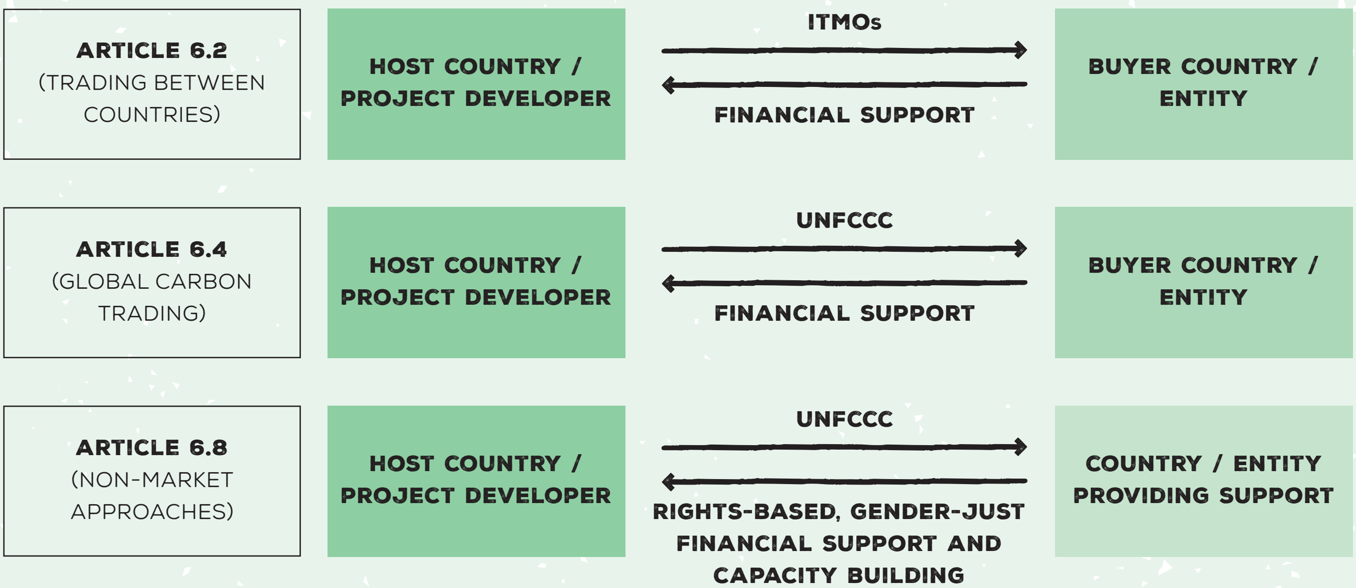
OTHER OPTIONS FOR GENERATING INCOME

Many forest-rich developing countries are grappling with the challenge of maintaining the global contribution their forests makes to mitigating climate change and producing a wide range of goods and services, whilst ensuring they also generate real income for forest-dependent communities and state treasuries. This section presents the most well-known of these approaches, including carbon markets and REDD+, as well as a wide range of non-market approaches that should be thoroughly explored and tested.

OTHER OPTIONS FOR GENERATING INCOME

All of the approaches described here are captured under Article 6 of the UNFCCC's Paris Agreement,[37] which describes cooperation between countries in meeting their commitments, as written in each country's NDC, in order that the world as a whole makes progress towards preventing global warming exceeding 1.5˚C. Article 6 comprises three such cooperative mechanisms (Box 2).

BOX 2 UNFCCC, MARKET AND NON-MARKET APPROACHES TO INTERNATIONAL COOPERATION



Adapted from Zero Carbon Analytics[38]

The three Paris Agreement Article 6 mechanisms pertain to forests as follows:

- **Article 6.2** applies mainly to countries trading sovereign carbon credits, called Internationally Transferred Mitigation Outcomes (ITMOs) between each other (possibly through a broker). The credits become the property of the buying country and help them – not the selling county – meet their NDC commitments. This also means the buyer country has a big say in what is permitted or prohibited in the forest projects of the country selling the credits.
- **Article 6.4** is a formalised and rule-based global version of the current voluntary carbon market. It is mainly for countries and projects to trade carbon credits with companies in countries with high emissions. Unlike the bilateral agreements under Article 6.2, the rules for trading under Article 6.4 will be universal.
- **Article 6.8** – non-market approaches – offers a much broader range of possible cooperation between countries, projects, and companies than just finance, so it is not transactional or open to price speculation in the way carbon trading is. It supports *"integrated, holistic and balanced non-market approaches"* – implying a central role for local communities – *"mitigation and adaptation"* and *"coordination across instruments"*, for example, coordination with commitments under the Convention on Biological Diversity (CBD).[39]

The UNFCCC Conference of Parties (COP) in 2023 failed to make progress on the detailed rules under articles 6.2 and 6.4, and the outcome of the 2024 COP it remains to be seen. One unresolved issue regarding Article 6.4 centres on whether forest carbon should be excluded from any such market. If this is the case, it is likely that any interest in trading forest carbon credits under Article 6.2 will also dissipate.[40]

REDD+ AND CARBON MARKET READINESS (UNDER ARTICLE 6.2 AND 6.4)

REDD+ (reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries)[41] has been part of Liberia's vocabulary since 2008.[42] Both the World Bank and UN-REDD have supported the development of REDD+, and between 2014 and 2023 Norway provided over US$37 million through the Liberia Forest Sector Project (LFSP) with the aim of establishing the foundation for *"a results-based carbon payment operation that will pay for verified emission reductions and carbon sequestered in target landscapes."*[43]

Unfortunately, this foundation was never reached and results-based payments have not materialised. Furthermore, in its final years – particularly once funding had ended – key components such as the monitoring reporting and verification system effectively ceased. Governance challenges in the sector also meant the project moved away from *"relying on government agencies to provide project outputs in an essentially 'top-down' fashion. This was changed to a 'bottom-up' community-driven development process that also included a value change [sic] approach for the production and processing of forest and agricultural products,"* achieved by redirecting funds through NGOs.[44]

Internationally, the emphasis and finance REDD+ has devoted to carbon accounting, through support to forest inventories, forest definitions, baseline forest emission levels, and monitoring reporting and verification systems, suggests an intention to be 'market ready', ultimately obtaining finance from carbon markets.[45] Globally, by 2020 half of all REDD+ projects had sold carbon credits but the number of new projects has fallen from over 40 in 2011 to just five in 2019. An estimated US$5.6 billion of official development assistance and almost US$1 billion from carbon markets has been devoted to REDD+.[46]

As with carbon markets as a whole, however, REDD+ has suffered a credibility crisis:

> *A tremendous amount of trust and hope are being put into the voluntary carbon market and the small number of nonprofit organisations that create, manage, and self-regulate it… We found that current REDD+ methodologies generate credits that represent a small fraction of their claimed climate benefit. Estimates of emissions reductions were exaggerated across all quantification factors we reviewed when compared to the published literature and our independent quantitative assessment.*[47]
> — Berkeley Carbon Trading Project, 2023.

Complex monitoring reporting and verification systems are needed in order to account for carbon with sufficient accuracy for credits to be traded. The experience of REDD+ in Liberia shows that this takes time, as do robust and equitable revenue and benefit-sharing systems and an inclusive policy development process. Yet all these and more are necessary for high integrity forest carbon credits. Furthermore, whilst communities control most of the forest, they lack the capacity to pursue any market-based option without relying almost entirely on external actors.

The fifteen years of REDD+ development in Liberia, in a context of low state- and non-state capacity and high transaction costs, means it is unlikely that a carbon market will be operating in Liberia at the scale needed before 2030. Relying solely on market approaches, therefore, is a high-risk approach and Liberia is right to continue to move with caution. At the same time, forests are being lost and communities cannot wait another ten years for the stable, adequate and predictable climate financing to which signatories to the UNFCCC have committed.

Yet a progressive legal framework exists for land and forest rights, and communities and others have experience establishing community-level governance systems. Communities are therefore well-positioned to significantly contribute to national efforts to achieve Liberia's NDC, conservation, and restoration targets, provided the right incentives are available.

High yielding cassava variety introduced in 2022 contributing to food security and income diversification in Sinoe, 2023. © IDH

TEN APPROACHES THAT DO NOT RELY ON CARBON MARKETS

This section introduces ten existing approaches that aim to get the incentives right. They do not involve trading in carbon credits, and most do not entail the high cost and reliance on international service providers for detailed carbon accounting either. By avoiding the tradeable asset element of carbon and other nature markets, these non-market approaches can be broader in scope, funding a range of activities. They are typically bespoke, responding to local circumstances and are designed explicitly to empower local communities rather than see this as a co-benefit. They are described below in three groups:

A. Adaptive payments for performance.

1. Payments for ecosystem services (PES), well-established in Latin America.
2. Brazil's proposed global Tropical Forests Finance Fund (TFFF).
3. Area-based payments initiative in Liberia.
4. Ecological fiscal transfers, using tax redistribution to local government.
5. The Adaptation Benefit Mechanism developed by the Africa Development Bank (AfDB).

B. Direct finance systems that seek to transfer funds to forest-dependent communities in ways that maximise recipient groups' control and minimise transaction costs and the need for intermediary project and fund managers.

6. Philanthropic, project-based finance to national community-managed funds.
7. Unconditional cash transfers direct to households and communities.
8. Private sector initiatives such as contribution claims and insetting.

C. Conservation and forest enterprise development, through, for example, alternative livelihoods, enterprise development, incentive-based conservation agreements, and better-regulated existing businesses such as small scale logging.

9. Current initiatives in Liberia, such as MFGAP's Community Forest Development Funds.
10. Ecotourism initiatives in Liberia.

After this, an evaluation section presents the economic, social, and environmental factors of these different approaches and a broader consideration of the context, conditions and challenges that are likely to influence the success of any approach.

Work under the Paris Agreement Article 6.8 on non-market approaches has focussed on a web-based platform, formally launched in mid-2024 (Box 3).

Extremely bad road conditions across Southeast Liberia are hampering local economic development. For more than half of the year, most roads are nearly impassable. Butaw, Sinoe County, 2024. © IDH

BOX 3 WEB-BASED NON-MARKET APPROACHES PLATFORM UNDER UNFCCC

The UN's web-based non-market approaches platform is divided into two sections. The first, labelled 'non-market approaches' is where any project concerning adaption to climate change, resilience, sustainability, clean energy, or mitigation against climate change impacts can be presented. The second, called 'support available' is an opportunity for those able to offer capacity-building, technical support, or finance to summarise what they might be willing to provide. Some key details are as follows:

Non-market approaches (projects) must describe:

- How the project promotes mitigation or adaption to the impacts of climate change;
- How it enhances public and CSO participation in NDC implementation;
- How it enables cooperation between institutions and 'instruments' (such as UNFCCC and CBD);
- How it assists states to implement NDCs in an integrated, holistic, and balanced manner;
- How it does not involve the transfer of mitigation outcomes (i.e. trading carbon offsets);
- How it assists states to reach the long-term temperature goal (1.5 to 2˚C) of the Paris Agreement;
- How it respects and promotes human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity; and
- How it avoids or minimises negative environmental, economic, and social impacts.

Article 6 as a whole concerns cooperation between states in meeting their individual NDC objectives.[48] For this reason projects can only be uploaded to the platform by an appointed government National Focal Point, which in the case of Liberia is in the EPA. There is a manual to guide this process and project proponents are encouraged to draft their details and respond to the above questions in order for the National Focal Point to review, approve, and upload them.[49]

Development partners offering support do not need to go through this process and can provide much less detail. Nonetheless the platform is expected to enable those seeking support and those offering it to find each other and form new partnerships.

The platform should increase visibility for community-led initiatives and their funding sources, and thereby attract more political and financial backing, as well as bring communities into discussions about NDC achievements and country-level reporting:

> *This web-based platform aims to connect project partners and record and exchange information on non-market approach project implementation. It will facilitate opportunities for participants to find partners to help identify, develop, and implement non-market approach projects. It opens a new space for international cooperation and coordination, and it can help parties with their enhanced transparency requirements, and to gain an overview of the chaotic funding landscape, clarifying how funding arrangements contribute to agreed NDCs and other commitments.*[50] — Greenpeace, 2023.

So far there are no projects listed and only nine organisations offering support available (only three of which offer finance), so it is too early to tell which of the approaches described in this paper will be approved for the platform. This provides an opportunity for Liberia and its supporters to help define and increase the visibility of non-market approaches if they were to be an early mover and propose some projects.

ADAPTIVE PAYMENT FOR PERFORMANCE

Payment for performance, or results-based payments, have existed for some time in different contexts and include REDD+, described in a previous section. *Adaptive* payment for performance is used in this paper to describe approaches that are more responsive to the needs of forest communities. Five examples are described.

Payment for performance systems, by definition, need a monitoring system, but as these examples suggest, monitoring could be simpler, more cost-effective, and more locally owned, with shorter feedback loops, than conducting 'monitoring reporting and verification' that tracks carbon flows.

1. Established payments for forest ecosystem services

PES initiatives have been in existence in Latin America for over a decade. They make regular cash payments to forest-owning individual families or communities, and may have a sliding scale of payments, for example to incentivise communities over individuals, smaller landholdings, or female-headed households and groups. Schemes are administered by a government agency, perhaps in partnership with international development assistance. Examples exist in Costa Rica,[51] Ecuador[52] and Peru.[53]

2. Brazil's Tropical Forests Finance Facility / Forever Fund

Brazil has proposed a similar but global scheme, based on an annual per hectare payment to the 67 countries with the most tropical forest. Payments *"will not differentiate countries by biodiversity, carbon absorption or environmental services, which will simplify the implementation and monitoring procedures."*[54] Proposed eligibility criteria are: a deforestation rate below 0.5% compared to the previous year, and falling, then remaining below 0.1%/yr; and a transparent, standardised and reliable method of measuring natural forest cover.

The proposed scheme was first announced in December 2023 and is expected to launch when Brazil hosts the UNFCCC COP in late 2025. Recipient governments will need to devise a revenue-sharing mechanism appropriate to each national context, but that must be transparent and include local communities, Indigenous People, and protected area managers. Initial contributions totalling US$25 billion are expected to come from the US, UK, Germany, Norway, Singapore, and the UAE, with more expected from other countries and the private sector. This would establish an investment fund from which interest payments will source the annual grants to each country.

Payments are predicted to be US$4/ha/yr, so Liberia stands to receive over US$28 million a year if the scheme is established, but it would first need to reduce deforestation to below 0.5%/yr.

3. Radically simplified environmental payments in Liberia

IDH Liberia is developing plans to pilot a system of simple per-hectare payments to forest communities as long as their forest remains standing. There is strong case for such actions given they can be implemented much more quickly than schemes requiring payment after the results of complex carbon measurements. As one interviewee not connected to this initiative said, payments for performance need upfront payments that actually reach people. The idea was indeed mooted in the LFSP aim of *"exploring direct payments to communities for forest protection,"* but this never materialised.[55] One interviewee said:

> *the hope was communities would protect forests as they were paid because they could say 'this forest is helping us send our children to school, is help us develop solar power,' and CSOs would help strengthen community governance so the community could resist people trying to bring in predatory investors. We even argued for communities to receive a loan to start locally-owned logging operations and stop giving their forests to big companies who then pressure the government to change the rules, or simply dodge them.* — Interviewee familiar with the 2015 Norway–Liberia Letter of Intent to establish the LSFP.

The scheme could build on the distribution and oversight functions that the NBST currently provide for some of the revenue from logging, but their mandate and capacity would need to be reformed to accommodate this expanded role. Then payments, initially from international government and philanthropic sources, would be deposited into the NBST Fund for redistribution to forest communities at a rate of US$1.50 per hectare per year. Pilot communities controlling their forest land through holding a CFMA or that fulfil the requirements of the Land Rights Act (i.e. have self-identified, established a Customary Land Development and Management Committee (CLDMC), registered as a legal entity and have a land use plan) would both be eligible.

Payments would be accompanied by support from IDH to strengthen community-level fund governance, sustainable livelihoods, small business development, local savings and loan schemes, and community-based forest management. IDH point out that funding could come from donors and philanthropic sources now and future funding could be from REDD+, carbon markets or other sources, should they materialise. Payments could potentially increase if the community expanded its forest area.

4. Ecological Fiscal Transfers

National governments all over the world transfer funds to local authorities and the recent Revenue Sharing Law in Liberia laid out an indicator-based formula for such redistribution. The formula provides for population, land area, and poverty, education, and health levels as well a *"fiscal efficiency index"* to determine the amount of money each county gets from the central government. The formula may be revised every five years.[56]

Ecological Fiscal Transfers introduce ecological factors into such a formula. They exist, or are being considered, in ten countries as well as across the EU. They aim to incentivise ecological conservation or improvements at the local level, and publicity around their allocation contributes to environmental awareness as well as budget transparency. They have the advantage of not requiring additional finance as they are merely adjusting the redistribution of existing tax revenue. A 2017 study in India indicated net loss of very dense or moderately dense forest cover decreased by 51% in the years immediately following the introduction of a nation-wide Ecological Fiscal Transfer system.[57]

The schemes are all different and highly context specific. For example, some are focussed more explicitly on localities with protected areas. More progressive schemes include criteria such as forest cover, reduced deforestation, prevention of bush fires, water quality, waste management, indigenous territory, and community conservation. They also differentiate between those that provide unconditional ecological fiscal transfers, where the funds received can be used for any local government expenditure, and those that must be spent in support of the environmental values associated with the scheme, such as biodiversity and forest conservation.

One interviewee in Liberia familiar with Ecological Fiscal Transfers suggested this could usefully be discussed with the Ministry of Finance and Development Planning as well as the Environmental Protection Agency, perhaps in conjunction with support to climate smart County Development Plans and biodiversity finance initiatives.

Women prepare cassava for processing into a local cereal like food product known as 'Garrie', 2024. © IDH

5. The Adaptation Benefit Mechanism

Whereas most climate finance is directed at *mitigation* efforts, the African Development Bank's (AfDB's) Adaptation Benefit Mechanism endorses results-based payments to support countries to *adapt* to climate change. The mechanism *"delivers quantified, verified and certified data on resilience, adaptation finance and co-benefits,"*[58] through providing Certified Adaptation Benefits to projects, representing the social, environmental and economic public goods delivered by project.[59]

The AfDB suggests this fills a gap in climate finance because *"climate adaptation projects typically yield little cash flow, although they deliver hard-to-monetise public goods… Project developers will use [Certified Adaptation Benefits] as collateral to raise private sector debt, equity and in-kind contributions."*[60] It *"is well suited to land use and forestry where benefits can be easily quantified, and subsidised capital can be catalytic in terms of bridging a gap between market terms and community ability to pay."*[61] The countries so far expressing an interest include Côte d'Ivoire, Ghana, Nigeria, Uganda and Kenya.

DIRECT FINANCE TO LOCAL COMMUNITIES

> *Direct funding for actions that combat climate change, conserve biodiversity, and sustain our rights and self-determined development in our territories, based on identity and traditional knowledge.*[62] — Shandia Vision.

Direct access finance mechanisms aim to minimise or remove the transactional nature of payments for performance. They seek to enable the greatest possible proportion of funds to be rapidly accessible to forest communities, minimising the intermediary function of fund managers. Above all, the objective of direct finance is to maximise local control over decision-making, based on widespread and growing evidence that local communities are more effective in conserving biodiversity than outside interventions.[63]

At the UNFCCC COP in Glasgow in 2021, US$1.7billion was promised between 2021 and 2025 to advance tenure rights and support guardians of forests and nature. A further commitment is expected in the UNFCCC conference in 2025.

These pledges respond to concerns that in the past, too much finance has been through pooled multilateral funds or international NGOs, often with high transaction costs.

This section summarises three categories of direct access finance: philanthropic project-based initiatives, fully unconditional cash transfers, and private sector initiatives.

6. Philanthropic project-based direct finance

There are a range of multilateral and other funds that have been described as direct access,[64] but three stand out as being innovative and having potential for Liberia, situating themselves *"between donors that want to curb climate change and conserve biodiversity, and forest groups with the skills to do that."*[65] They are the Tenure Facility,[66] the Community Land Rights and Conservation Finance Initiative (CLARIFI),[67] and Forests, People, Climate (FPC).[68]

The range of activities eligible for this type of funding fully embraces 'climate finance,' including:

- Tenure security, community rights, customary governance;
- Advocacy, strategic advice;
- Conservation and resource management;
- Organisational strengthening;
- Environmental and human rights defenders;
- Indigenous and local economies;
- Gender equality, conflict resolution, legal support, access to justice; and
- Facilitating links to authorities and to other sources of funding, training, and solidarity.

These funds work more-or-less closely with a number of national and regional funds managed by local communities and Indigenous Peoples, and each with its own governing structure, criteria, and modalities for grants systems to redistribute funds sought from international climate finance. These groups are represented on the Shandia Platform, the intent of which is *"strategic and sustained dialogue with donors; exchanging experiences and good practices for transparency and accountability; and monitoring the status and trends of funding."*[69] The platform is backed by the Global Alliance of Territorial Communities (GATC), an alliance representing 35 million people living in forest lands in 24 countries in Asia, Africa, and Latin America.[70]

7. Unconditional cash transfers

Unconditional cash transfers are where finance is provided, often directly to individuals or households, without any direct obligation to generate a return. The advent of mobile phone networks for cash transfers has greatly reduced the cost of such schemes. Unconditional cash transfers have been compared favourably to REDD+ and PES,[71] and there a few early examples relating to the forest sector: Cool Earth,[72] GiveDirectly,[73] and the Home Planet Fund.[74] All three are based on a philosophy similar to that described by one executive director: *"[we] will vet the communities we invest in and then we will get out of the way, so they can decide how to spend the investment best. No long grant applications. No need to gather data to relentlessly track progress. No strings attached. They already know what works, and they know their communities. We trust them."*[75]

IDH are considering collaborating with GiveDirectly to provide a start-up sequence of unconditional cash transfers to each household member of a forest community, perhaps US$60 per month, followed by a lump sum of perhaps US$500. IDH points to evidence that households living in close proximity to forests in Liberia earn on average US$783 per year, or US$65 per month, which is about one third of the national average household income.[76]

8. Private sector initiatives

Leading global corporations have started to seek non-market ways to demonstrate that they are contributing to climate finance. This is pertinent as large companies based in rich countries are often blamed for most of the world's greenhouse gas emissions and, many would argue, the scale of the climate challenge cannot be met without private finance. In response, various labels have been given to corporate climate finance, including 'contribution claims',[77] 'beyond value chain mitigation',[78] and 'insetting'.[79]

Contribution Claims are payments that claim to contribute to an overall reduction of emissions, in contrast to compensation claims, which is the term used for carbon offsets where companies compensate for their pollution by buying an equivalent amount of carbon credits.[80] Expert opinions collected by the Science Based Targets initiative suggest *"contribution claim approaches may represent preferable models for accelerating net-zero transformation and increasing climate finance in that those efforts are beyond a company's efforts to reduce its own emissions."*[81]

Beyond value chain mitigation, like contribution claims, describes the actions a company might take beyond reducing its own emissions and those from its suppliers and sources. The following actions are recommended by its proponents for this kind of funding: land tenure security, responsible production practices, forest restoration, support to landscape and jurisdictional activities, payment for ecosystem services, purchasing and retiring REDD+ carbon credits, protecting intact forests and other natural ecosystems.[82]

Insetting *"refers specifically to GHG reductions or carbon sequestration interventions that are directly related to a company's value chain."*[83] This kind of approach is actively being implemented by the Forest Conservation Fund, which aims to link conservation needs with finance from corporations sourcing from the same landscape (in proximity to but not necessarily within the source areas), using a 'forest footprint' calculation to determine how much a company should pay.[84] Forest community projects are implemented in conjunction with local NGOs. Projects are often associated with conservation areas and eligibility requirements include the use of satellite image data to monitor forest integrity and community-based wildlife monitoring.[85]

CONSERVATION AND FOREST ENTERPRISE DEVELOPMENT

Combined conservation and enterprise development schemes have existed around the world for forty or more years, and in Liberia now they are variously termed alternative livelihoods, enterprise development, or incentive-based conservation agreements. They have generally focused on community forests either in close proximity to P/PAs, or in biodiversity corridors that link P/PAs together, thereby enhancing the conservation outcomes at a landscape level. The work of the LFSP on enterprise development noted, however, *"the scale at which these agricultural innovations are being rolled out will not increase agricultural production at a rate sufficient to reduce deforestation significantly across an entire landscape."*[86]

Another study concluded alternative livelihoods *"that break with current practices or require a new level of inputs and management are extremely difficult to achieve"* but they can nonetheless bring communities into conservation activities provided they have decade-long support. The study also concludes climate finance (through, it suggests, REDD+ or PES) that *"compete[s] with the income they would receive from logging would be a game-changer,"* but a combination of this, alternative livelihoods, and local timber and charcoal production would all be needed.[87]

9. Community-centric approaches to forest enterprise development

Recognising that conservation-driven livelihoods projects like these have rarely achieved the desired impacts on communities and forests, programmes are shifting to a more community-centric approach to forest management. These include:

- The UK-funded Multi-Stakeholder Forest Governance and Accountability Project (MFGAP), developing Community Forest Development Funds, which are intended to be the first steps away from donor-led projects that previously tended to offer tools, seeds, training, etc., and towards cash that enables people to make choices and to invest and participate in mainstream economic activities.[88]
- The Sweden-funded Community based protected area and forest management project (CBPAFM) *"seeks to remove the barriers that hinder forest-dependent communities from effectively engaging in conservation efforts. It will develop and implement a sustainable model of community-based land and forest management with tangible socio-economic benefits for people who depend on forests for their survival."*[89]
- EU-funded Leh Go Green project comprises Community Conservation Agreements to support sustainable livelihoods in targeted CFMA areas, reduced-impact community-based commercial logging, and business development, diversified income and livelihood opportunities.[90]

10. Ecotourism

Tourism is one strand of the Government of Liberia's (GoL's) ARREST agenda and the FDA has reportedly completed an Ecotourism Concession Policy to encourage investment in nature tourism.[91] Alongside this the US-funded Conservation Works Activity ecotourism component includes national policy development, transport improvements, and local capacity building, with the aim to establish at least 25 ecotourism-focused enterprises.[92] It also *"supports communities in becoming less reliant on forest resources by providing livelihood alternatives, including sustainable agriculture and ecotourism."*[93]

Some interviewees were more sceptical about the potential for ecotourism to deliver widespread community level benefits. One government representative said it needs to be "*community based, not planting hotels.*" Another respondent said ecotourism in the interior is more likely to succeed as an add-on to an already viable significant tourism sector, but high-market ecotourism may be feasible in some cases.

EVALUATING THE DIFFERENT APPROACHES

Carbon markets and ten existing non-market approaches are described in the preceding sections. All these present alternatives to the currently dominant large scale logging contracts, none of which are delivering the expected revenues to the state or communities. Industrial logging is also failing on social and environmental criteria, and we see increases in both local disputes and conflicts, and in deforestation rates.

Some key economic, social, and environmental factors of the ten non-market approaches are summarised in Table 2 and then briefly discussed. The approaches are not mutually exclusive and in many cases are variations of each other. The intention is not, therefore, to present a set of either/or comparisons but to provide sufficient information for Liberian stakeholders to agree on some to pursue and pilot, and perhaps some to discard.

To end this section, system and financial governance is discussed as it is pertinent to many of the approaches. As a number of interviewees said, immaterial of the channel for climate finance, good governance within Liberia is central to its success.

ECONOMIC, SOCIAL, AND ENVIRONMENTAL FACTORS

As seen from Table 2, there are a number of observations that can be drawn from evaluating the approaches side by side:

- Carbon markets and the more narrowly focussed PES and private sector initiatives tend to emphasise one outcome over others. In contrast, non-market approaches encourage many important needs – mitigation and adaptation, biodiversity conservation, tackling criminalisation and encroachment, community infrastructure and enterprise, transport, and market access, just transition and energy – in a holistic manner.
- Some payment schemes provide funds only *after* the results are verified, whereas communities often need up-front investment for mapping, land tenure formalisation, strengthening community governance, and forest management planning, for example, as well a regular income.
- There is often a perceived need to structure initiatives around a 'bankable offer' to investors; *"this cannot be a gift – we need something delivered in return"* was one interviewee's comment. The perception is that a business case, linking payments to forest preservation, needs to be made, and that carbon and biodiversity credits might be the 'tipping point into profitability.' This commodifies nature and limits the scope of some initiatives. Moreover, there is growing evidence that payers – whether corporates, donors, or philanthropists – simply do not need to tie payments to such bankable offers.
- In too many cases projects are not driven by local needs; rather, the specific geographies, objectives, performance criteria, proposal and reporting cycles all tend to be determined primarily by donors. This limits eligibility and increases monitoring and evaluation costs. It also treats local communities as vulnerable beneficiaries. This is not self-determinative, and can put communities in a vulnerable position if, for example, factors out of their control stop them from meeting project expectations. One interviewee said *"liability – whether or not a community loses if the scheme doesn't perform – is critical."*
- Communities setting forest aside still need money, so the more successful entry-point is going to be livelihoods, not conservation. One interviewee was clear, *"the biggest interest from communities is their livelihoods."* The newer conservation and enterprise schemes argue that seeing farming and forest management as a business, by adding more value and improving market access, for example, is what distinguishes them from *"dumping a rice mill on a community and calling it 'alternative livelihoods support'."*
- National-level schemes for direct finance, simple per hectare payments, or unconditional cash transfers could be framed as a 'rightful share' of economic production, perhaps funded by a global carbon tax. This distinguishes them from development assistance or project approaches. It is important not to disrupt traditional institutions or create a dependence on the state, however, so payment schemes must be jointly developed to ensure they are accepted and administered with the consent and involvement of forest communities.[94]
- Set-piece training and one-off workshops are insufficient to address issues such as local governance at the community level. Instead, intensive 'hands-on' facilitating, mentoring, and coaching will be required on an ongoing basis. Similarly, once formalised, there is an expectation that CLDMCs will operate as autonomous community entities. Good bylaws and a constitution are necessary but likely to be insufficient until downwards accountability to their communities is fully embedded. There is an opportunity cost of devoting time and resources to overly-complicated climate finance mechanisms to the detriment of these support needs. One interviewee suggested *"carbon payments are an option, but require well-consolidated community organisations. Carbon is something you can graduate to if you are successful with other things, but not likely to be a place to start."*

TABLE 2 EVALUATION OF ECONOMIC, SOCIAL, AND ENVIRONMENTAL FACTORS FOR THE TEN MECHANISMS

OPTION	ECONOMIC FACTORS	SOCIAL FACTORS	ENVIRONMENTAL FACTORS
ADAPTIVE PAYMENTS FOR PERFORMANCE			
1. Forest-related payments for ecosystem services (PES)	Some have existed for 10-15 years, suggesting economic viability and sustainability. Funding is through a combination of external funds and internally generated taxes.	Intentionally positive, targeting forest communities and individuals, some weighted in favour of smaller landholdings. Agreements up to 20 years long give income security.	Intentionally positive as payments based on 'do not touch' the forest. Often based only on deforestation, not degradation. Could be overly restrictive if inappropriately designed.
2. Tropical Forests Finance Fund (TFFF)	Investment fund not yet in place, but if formed, should deliver cost-effective, predictable, continuous national income. Vulnerable to global finance volatility.	Committed to high levels of transparency and inclusivity but equitable redistribution subject to national-level agreement, so risk of funds not reaching communities.	Potentially very good, but maximum permitted deforestation level not yet agreed. No global rules on using funds for environmental purposes are anticipated.
3. Simplified environmental payments	Not yet in place but designed to deliver predictable, continuous income direct to forest communities, with minimal transaction costs. Initially dependent on foreign donors.	Intentionally positive, targeting forest communities. Combined with governance support to strengthen local accountability and self-determination.	Potentially very good, but proposed pilot needs to confirm details, i.e. tolerance for deforestation / degradation, contract duration, income levels.
4. Ecological Fiscal Transfers	Good in that it reallocates exiting national revenues, does not depend on additional funds. Financial beneficiaries are local governments in forest-rich counties.	Depends on design. Can strengthen local self-determination if operating down to that level but risks oppressive actions by recipient authorities keen to preserve income.	Intentionally positive as system designed to reward good environmental behaviour but depends on criteria adopted and extent of rules on environmental use of funds.
5. The Adaptation Benefit Mechanism	Potentially good at increasing financial inflows by leveraging private and multilateral investment bank finance into adaptation projects. Wider economic benefits unclear.	Designed to guarantee positive social outcomes by generating measurable data, but details will vary with projects.	Designed to guarantee positive environmental outcomes by generating measurable data, but details will vary with projects.
DIRECT ACCESS FINANCE			
6. Philanthropic project-based	Project-orientated, delivering economic gains indirectly, e.g. through improved tenure security, local governance, forest resource management and enterprise development.	Intentionally positive, operating through community-led fund managers and includes strengthening local accountability and self-determination.	May include forest management and protection activities, depending on project. Otherwise designed to deliver environment gains indirectly, e.g. through tenure security.
7. Unconditional cash transfers	Delivers income direct to rural communities, with minimal transaction costs and no externally set objectives, simply adding funds to local economies.	Intentionally positive, targeting low-income individuals and families. Little or no accompanying support unless provided by a parallel initiative.	By design little or no prior agreement that the funds must be spent on environmental actions, but a presumption that custodian communities will maintain their forests.
8. Private sector initiatives	Designed to increase financial inflows by utilising private finance, but some schemes are framed narrowly within the commodity chain, with little benefit beyond that.	Generally targeting forest communities more than the state but social outcomes depend on detailed design and accompanying support to local governance.	Intended to deliver positive outcomes but may only be at a local level, insufficient to address environmental damage of commodity supply chain as a whole.
CONSERVATION AND FOREST ENTERPRISE DEVELOPMENT			
9. Newer (MFGAP etc) initiatives	Designed to improve local enterprises that use the forest resources as well and those outside the forest. Savings schemes and other measures seek to diversify economic base.	Targets forest communities more than the state and initially centres on governance support to strengthen local accountability and self-determination.	Initial emphasis is not on forest management and protection but aims to evolve into this, based on solid local governance structure. Centred on formal forest management units.
10. Ecotourism	High potential at enterprise and state level (through corporation taxes), but vulnerable to externalities – tourism trends, global middle-class economy, reputation, road conditions.	Provides some secure wage employment at local level but unlikely to offer widespread social benefits. Positive and perhaps negative impacts on foreign perceptions of Liberia.	Often adjoining PAs and supporting conservation efforts, but this could dwindle if enterprise struggles financially, and unlikely to offer more widespread environmental gains.

SYSTEM AND FINANCIAL GOVERNANCE

Key questions concern supervision and redistribution of any climate finance, particularly from the national level. Bad experiences in the logging sector (and elsewhere), as summarised in Section 2 above, have led to very low levels of trust. For example, the FDA often point to failures in community-level governance, transparency and accountability whereas community voices frequently highlight the failure of government to act as a neutral arbiter in disputes they have with logging companies. Research and discussions for this paper highlighted issues of trust much more than they presented clear opinions about the different approaches presented. When pressed to consider the possible non-market approaches, non-state interviewees tended to opt for direct access finance or adaptive payments for performance because they minimised state gatekeeping, whereas government respondents tended to highlight conservation and alternative livelihoods because it strengthened their ability to control both financial inputs and environmental outcomes. Weak system governance is also exemplified by the current difficulties communities and the FDA appear to have in preventing mining permits being issued in forests.[95]

The direct access finance schemes already in existence in other countries are by definition controlled by community representatives themselves, sometimes at a regional (multi-country) level and sometimes at a national level. In the Liberia context, the NBST was established for a similar purpose in the logging sector, holding a trust fund for land rental payments from concessions (FMCs and TSCs) and due to communities through their Community Forestry Development Committees (CFDCs).

The NBST Board governing the trust fund is a multistakeholder group led by a community representative, which helps make it directly accountable to the communities it serves whilst also being transparent in its operations and reporting to wider stakeholders. The fund issues grants to communities in line with what is due to them from logging operations in their locality, and has developed a raft of procedural guidance and templates to assist CFDCs in requesting and managing funds and the construction projects they are earmarked for. The Board has reported that 74% of such projects were successful, indicating that trust can affect a good degree of supervision over the communities' project management in an otherwise low-capacity environment like Liberia with weak accountability mechanisms (like court systems through which to seek redress when contractors fail to perform). There have been proposals to expand the NBST's remit to include income from logging in community forests as well as from concessions (FMCs), and to expand or replicate it to oversee climate finance for communities, including that derived from non-market approaches. At present the Trust secretariate lacks a full operational budget, however, given that logging sector monies committed to the fund have consistently been in arrears, often by millions of dollars.

Some interviewees representing the donor community were concerned that the NBST would need a stronger audit and capacity-building function, perhaps providing staged payments in response to milestones the community reached, as would any delivery mechanism. Two interviewees commented *"the challenges cannot be left to community structures unsupported. Some small customary land formalisation applicants might in fact be one-person operations"* and *"NGO handholding is needed to help resist elite capture."* To this end, the NBST does work closely with the NUCFDC, which can act as a critical friend, able to exert supervision over member CFDCs, for example to investigate issues and then to follow-up with NBST and FDA as appropriate.

There is no doubt that for climate finance to succeed it needs to reach communities, those closest to the forest and best positioned to protect it on a wide scale. Furthermore, ordinary people are rational decision-makers focussed on improving their livelihoods and the future for their families and communities. Different government representatives interviewed stated *"sustainable development requires substantive support to production at local level,"* and *"it mustn't be another way for communities to lose benefits. 'We're the ones keeping the forest. You need to pay us, not that the money stays in Monrovia'."* This imperative is also reflected in the EU–GoL dialogue in June 2024: *"the FDA ... emphasised the need for clear benefit sharing arrangements that include forest communities."*[96]

The natural resources sector in Liberia has three revenue-sharing schemes to ensure communities benefit, each devised for a particular purpose (Box 4). These should inform a discussion on the appropriate scheme for different types on income derived from market or non-market approaches to climate finance. For example one simple per-hectare scheme being proposed in Liberia would pay US$1.50 per hectare per year, which is higher than the total land rental a logging company must pay to log in a community forest.[97] The more recent Revenue Sharing Law is applicable to funds due to the state not those due to communities.

BOX 4 EXISTING REVENUE-SHARING SCHEMES

1. **Logging sector**

Owners of community forests should receive 55% of the land rental (US$1.25/ha/yr), as well as a cubic metre fee, typically US$1-3/$m^3$, direct to the community fund, plus a contractually agreed set of community infrastructure developments such as clinics, schools, water, and sanitation improvements.

2. **Share of payments to the state**

The Revenue Sharing Law entitles communities to 5% of all natural resource revenues paid to the state, expected to include land rental, stumpage, export, and other logging fees due to the state. It is to be paid "to communities and/or counties," probably through the General Fund held by each County.[98]

3. **Mining sector County Social Development Funds**

Contributions by mining companies are not set on the basis of land occupied or volume produced but negotiated within each Mineral Development Agreement. The payments, in some cases millions of US dollars, are made into a County Social Development Fund in each of the counties affected by the mine.

Whereas some schemes – Brazil's TFFF and Ecological Fiscal Transfers, for example – may primarily be channelled through government, others emphasise direct payments to communities. At least initially, these funds may come from donors, private foundations, or philanthropic organisations. But to provide the climate finance required they need to shift to channels that are continuous, adequate, and predictable. For example, philanthropic and public finance can be very fickle, so initiatives fail when the funder moves on to something else.

Interviewees provided a range of views on an appropriate basis for revenue sharing arrangements for different forms of climate finance. One interview suggested: *"climate finance is not a market or a business transaction, it's not selling anything. It's supporting a community to keep a forest intact. It's not 'I give you credits, you give me money, and then you make more money from trading the credits'. Customary land is private, not state property. The government does not expect revenue simply from private ownership. And it controls the P/PAs, which are carbon sinks just as conservation CFMAs are."*

Recognising that taxes are normally levied on trade and profits, other interviewees suggested that when communities reach the point where they are generating income from any market, they would then be subject to taxes. There could also be an approach similar to a tax-break for start-up investments, then, *"if carbon trading becomes a reality the government can have a revenue share."*

Women prepare for their VSLA meeting day in Wiah Doe, Numopoh District, Sinoe County, 2023. © IDH

Community members look on as women process cassava in Wiah Doe, Sinoe County, 2023. © IDH

4 CONCLUSION

CONCLUSION

Summarising the comparative discussion above, the following key conclusions can be drawn:

1. Market-derived carbon finance under Articles 6.2 or 6.4 of the Paris Agreement cannot be delivered to Liberia in the timeframe required to keep Liberia's forests standing.
2. Communities control at least two thirds of Liberia's forests, so they are central to the country meeting its climate commitments. They need appropriate and effective incentives along with intensive organisational strengthening and technical support.
3. Liberia benefits from strong customary rights, strong communities and huge amounts of forest still standing, and should be able to meet economic, social, and environmental objectives by channelling non-market climate finance to communities.
4. Livelihoods are the key factor driving day-to-day decision-making by rural households and communities. Few schemes will succeed unless this is centre stage, deriving conservation and climate benefits from this rather than the other way around.
5. System and financial governance is another key factor. The NBST offers the foundation for a community-led, multi-stakeholder institution from which to develop a system for support to – and oversight of – any climate finance model beyond local pilots. Above all, system governance needs to champion transparency and demonstrate accountability down to the community level.
6. International partners and the Government of Liberia should aim to identify and further research a clutch of priority approaches from those outlined in this paper then trial and scale the successful models, in particular for forest communities outside protected areas.
7. Climate change is not going to be mitigated within the timeframe of a project or two. To deliver climate objectives, schemes need to rapidly evolve from project-style pilots to forest-based funding channels that are genuinely continuous, adequate, and predictable, as stipulated by the 198 UNFCCC signatory countries.

Aerial photo of Sehyi in Nimba County, 2024. © IDH

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Woman processing cassava in Wiah Doe Town, Numopoh District, Sinoe County, 2023. © IDH

Above: Women narrates her experience as a farmer and a member of the local VSLA, Diyankpo Town, Jaedae District, 2024. © IDH

Left: Cultivating cassava in Wiah Doe Town, Numopoh District, Sinoe County, 2023. © IDH www.idhsustainabletrade.com