

Description of the GolaMA Project Small Loans Scheme

1. GolaMA Project: The GolaMA Project, DCI-ENV201214, is a five-year, EC-funded project implemented by the Royal Society for the Protection of Birds (RSPB) in partnership with the Society for the Conservation of Nature of Liberia (SCNL), Estelle Levin Ltd. (ELL) and the Gola Rainforest National Park (GRNP), all in collaboration with the Forestry Development Authority (FDA) of the Government of Liberia. The GolaMA Project aims to conserve an internationally important forest corridor in the Gola Forest in north-western Liberia by supporting communities to manage their forests while improving livelihoods and establishing a pilot model for sustainable financing. In particular, Result 1 of the project focuses on the establishment of legally-recognised Community Forests and the development of business plans for the financial sustainability of the Community Forests. Result 2 is that “Forest communities are benefiting from new, sustainable, alternative income-generating activities under Community Forest Management Agreements (CFMAs), and are contributing to forest protection”.

The project’s small loan scheme is a critical component of the project, designed to underpin the achievement of Results 1 and 2 above. First, the loans themselves will contribute to the development of sustainable livelihoods activities by making funds available to those wanting to start or expand rainforest-friendly activities such as beekeeping, shade-grown cocoa production or the cultivation of swamp rice. Secondly, the interest from the loan repayments, in addition to being used to manage the loan programme, will be paid to the Community Forest Management Bodies to be used for the management of the Community Forests, for such items as paying for community patrollers or for brushing boundary lines, thus contributing to the sustainable financing of the Community Forests.

This document provides a description of how the small loan scheme will operate.

2. Linking conservation and livelihoods activities, the context for the small loans scheme: There are four reasons for supporting livelihoods activities within the GolaMA Project, each of which provides a different way of linking conservation with livelihoods activities.

- i. **Engagement of community members:** Given the poverty of people living in the GolaMA area, full engagement of the population in any project-initiated activity will be possible only if the project is seen to be assisting communities to improve levels of well-being.
e.g. The GolaMA Project initiated beekeeping training and support soon after starting up as a way of concretely demonstrating its commitment to improving livelihoods in the project area.

- ii. **Development of alternatives to activities that can harm the forest:** In the GolaMA area, hunting and mining are critical threats to the forest. Many people (but by no means all) engage in these activities because they see no other options to make a living. By providing training, ongoing support, and the means to start up other activities, some miners and hunters will stop or reduce mining or hunting, and other potential miners or hunters will not start.
e.g. The GolaMA Project is about to start Farmer Field Schools (FFSs) that focus on cocoa. The

FFSs will be open to all members of the community and it is expected that current miners and hunters will participate, as well as potential future miners and hunters.

- iii. Development of livelihoods for those who may have to give up activities that harm the forest: Management of the community forests to be established with support from the GolaMA Project will most likely include some restrictions on activities, like mining and hunting, which are harmful to the forest. As a result, some community members may have to give up or reduce their current livelihoods activities. The GolaMA Project has a responsibility to work with these community members to find ways so that they can continue to make a living.
- iv. Direct incentive for the conservation of part of the community forests: SCNL and RSBP's interest in the Gola Forest is biodiversity conservation and the two organisations are working with communities to establish community-managed forests in the expectation that the communities will designate significant areas for conservation purposes. As there is nothing in the law that forces a community to put aside forest for conservation purposes, another reason for the GolaMA Project to carry out livelihoods activities is to provide a direct incentive to the communities for biodiversity conservation. For this to work, there needs to be a clear causal link made between biodiversity conservation and support for livelihoods activities. The GolaMA Project is making that link clear in two ways:
- SCNL will sign an Memorandum of Understanding (MOU) with each community, the community stating that it commits to designating part of their Community Forest for biodiversity conservation and SCNL stating that it commits to supporting livelihoods activities for the community
 - Each participant in a project-sponsored livelihoods activity will either sign an affidavit or make a public declaration of their agreement to follow the rules for the management of the Community Forest.

Thus, the small loans scheme contributes to all four ways described above of linking conservation with livelihoods activities and will be taking place in a context in which communities have signed MOUs with SCNL making livelihoods activities a direct incentive for conserving their forest.

3. Operational modalities of the GolaMA small loan scheme:

3.1 Institutional arrangements: The institutions to manage the loan schemes will be the two Community Forest Management Bodies (CFMBs). Funds will be transferred to each CFMB who will then transfer loan funds to the community-based groups participating in the schemes. All Community Mobilisation Officers (CMOs) working with the GolaMA Project will be trained to provide support to the loan scheme but one CMO will be given the responsibility of acting as a "loan agent" with respect to the CFMBs. Each CFMB will have a box with three locks to store money; the loan agent along with

two CFMB representatives will be the three key holders. The loan agent will be responsible for providing ongoing support to the CFMB and for transferring funds from the CFMB to a bank or other financial institution as decided by the CFMB.

Each group participating in the scheme will consist of 5 people – women, cocoa farmers, beekeepers, hunters, miners, other. Loans from the CFMB will be to each group which may decide to borrow the funds collectively or individually. Each group will be responsible to pay interest and capital repayment to the CFMB. The capital remains the property of each group and will be returned to the group when the full amount has been repaid. The interest remains with the CFMB and will be used to cover the costs of managing the loan scheme and of managing the Community Forest.

Each community group will have a chair, a secretary and a treasurer (box holder). The money box will have three locks and the chair, secretary and treasurer will be the key holders. The box will be used to hold funds what waiting to make a payment to the CFMB.

3.2 Financial arrangements: For the first round of loans, each group will receive \$100 x 5 = \$500. The group can then choose to use the loan as a group or to distribute individual loans, the maximum for any individual first round loan being \$100.

Interest rate on the loans will be 10% over the 6-month loan period (equivalent to 20% annually). For the first phase of the scheme, working with women's groups, repayment will be made monthly and the total repayment period will be six months. In addition, there will be a compulsory savings payment of 10% over six months, the compulsory savings component also returning to the group at the end of the repayment period.

In the second and subsequent phases of the loan scheme, the project will look at different repayment schedules based on the experience during the first phase and on the nature of activities for which loans are sought. For example, for those interested in starting or expanding cocoa production, the project could consider repayment over three years given that it takes cocoa seedlings 3 years to go into full production.

If a group successfully completes one round of loans then it will then be eligible for a larger loan fund of \$150/group member. In the third round, the amount will be \$200/group member. While the fund will continue to return to the group after each round, the amount in fourth and subsequent rounds will not increase unless there is additional funding for the scheme. Groups that do not repay the full amount (capital, interest, compulsory savings) will not be eligible for the next rounds and will be disqualified from the scheme.

In the third round, groups will be offered the possibility of making up to half of the interest payment in conservation actions, such action to be determined by the CFMB according to need e.g. forest patrols, brushing of boundaries, environmental education outreach. The monetary equivalent of conservation action will need to be agreed in advance by the CFMBs and the communities and will likely be on the order of \$5/day of work.

3.3 Phasing of the small loan scheme: The first phase of the small loan scheme will be to work with groups of women as there is usually less risk with women's groups and because expectation in the project communities is that women will have first access to the small loans. The project and the CFMBs can test the methodology and then make any necessary changes before subsequent phases.

The second phase will work with groups of men and women or mixed interested in beekeeping and cocoa farming and any other "rainforest-smart" livelihoods activities. The third phase will target hunters and miners as part of broader strategies of working with these groups.

3.4 Training and accompaniment: Community-based loan groups will receive training before receiving any funds and will continue to receive training and support for at least two years. Training will include business management, managing a group, managing funds and keeping records, community forestry, and links of loans to conservation. Groups will be expected to show viability before receiving their first funds through regular meetings and carrying out of a conservation action. Leaders of the groups (chairs, secretaries and treasurers) will receive specific training around their roles and responsibilities.

The CFMBs will also receive training and ongoing coaching on managing the small loan scheme, including support with systems, procedures and forms for all the necessary tracking of loans and repayments.