



FOREST POLICY TRADE AND FINANCE INITIATIVE

REPORT | OCTOBER 2024

A photograph showing a group of approximately 15 men sitting in a circle on plastic chairs in a room with light-colored walls and windows. They are dressed in casual clothing like t-shirts and shorts. The scene appears to be a community meeting or a focus group discussion.

# PAYMENTS FROM LIBERIA'S INDUSTRIAL FORESTRY SECTOR TO THE NATIONAL BENEFITS SHARING TRUST

By **Arthur Blundell, PhD**

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Liberia's legal framework requires that the communities most affected by industrial logging should also share in the benefits. Liberia's 2006 National Forestry Reform Law required 30 percent of land rental fees to be shared with the communities most affected by the logging. The communities themselves anticipated receiving more than \$123 million in compensation. Instead, the communities have received just \$4 million. A failure to share land rental payments risks undermining not just the forestry sector and rule of law in Liberia, but the development of communities across the country.





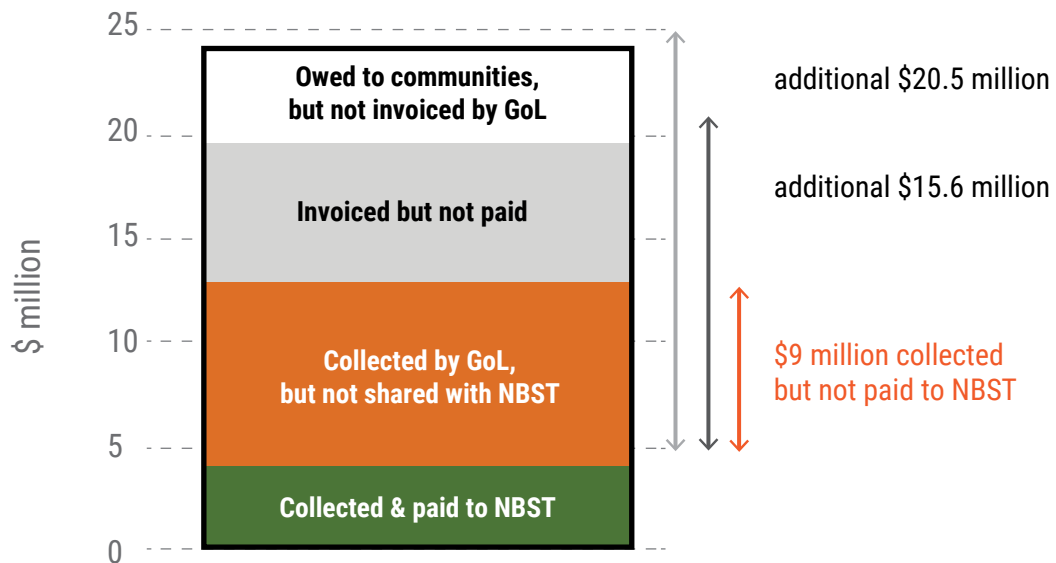
## Executive Summary

**The 2006 National Forestry Reform Law (NFRL) required 30 percent of land rental fees to be shared with the communities most affected by the logging. The communities themselves anticipated receiving more than \$123 million in compensation. Instead, the communities have received just \$4 million.**

Liberia's legal framework requires that the communities most affected by industrial logging should also share in the benefits. Two decades ago, during a period of post-war reform, the Government of Liberia (GoL) allocated new industrial logging concessions through competitive bidding, where the winner was the company that offered the highest annual land rental payment (a bid premium<sup>1</sup> in US\$/hectares/year (ha/yr)). Following the auction, Liberia anticipated receiving at least \$410 million in land rental payments over the next 25 years. Of this sum, the 2006 National Forestry Reform Law (NFRL) required 30 percent of land rental fees to be shared with the communities most affected by the logging. The communities themselves anticipated receiving more than \$123 million in compensation. Instead, the communities have received just \$4 million.

However, in 2013, the law was changed, eliminating the bid premium. The result was foregone revenue in excess of \$300 million, more than \$90 million of which would have gone to communities. Further, the GoL has yet to invoice about one-fifth of what is owed to communities and has allowed the companies to be in arrears for one-third of the invoiced amount (Figure 1).

**FIGURE 1** Land-rental fees owed to communities from industrial logging concessions (as of the end of 2023)



Source: Forestry Development Authority (FDA 2024).

<sup>1</sup> All figures are in US\$ unless otherwise noted.



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Still, the GoL has reportedly collected more than \$43 million in land rental fees over the past 15 years. Despite the law that requires sharing 30 percent, or more than \$12.9 million, the GoL has shared only about \$4 million (Figure 1).

**A failure to share land rental payments risks undermining not just the forestry sector and rule of law in Liberia, but the development of communities across the country.**

The GoL has an opportunity to demonstrate leadership and fulfil their legal commitment to disburse the \$9 million collected and owed to the communities. The new Government of President Boakai should seize on the opportunity to demonstrate leadership, right a historic wrong, and help further the development of Liberia's rural people most affected by industrial logging.



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## Background

A basic principle in Liberia's forestry legislative framework is that those who suffer from the negative impacts of logging should also share in the rewards. Revised as a condition to the UN Security Council lifting sanctions on Liberia, the National Forestry Reform Law (NFRL) of 2006<sup>2</sup> outlines the benefits to which communities are entitled when industrial logging affects their forests, lives, and livelihoods. Among other compensation,<sup>3</sup> communities are legally entitled to 30 percent of all land rental fees (e.g., the base land rental fees of \$2.50/hectare/year for large Forest Management Contracts (FMCs) and \$1.25/hectare/year for smaller Timber Sales Contracts (TSCs), plus the bid premium; hereafter these are collectively referred to as 'land rental fees').

For these industrial logging concessions, the land rental fees must go through the *National Community Benefit Sharing Trust* (NBST) that allocates funding to *Community Forestry Development Committees* (CFDCs). The CFDCs submit funding applications to the NBST for community projects, such as the construction of schools, clinics, or town halls.

Note: the analyses herein focus on industrial logging concessions (FMCs and TSCs) and do not include production forests owned by the communities themselves (e.g., Community Forestry Management Areas (CFMAs)). Payments to CFMAs are not channeled through the NBST. Instead, they are meant to be made directly to the communities. However, a recent Forest Trends (2024) review of Liberia's logging concessions found that these CFMA payments are also heavily in arrears.

<sup>2</sup> Regulated by FDA Regulation 106-07.

<sup>3</sup> Although not in the NFRL, communities are also entitled to a small annual contract administration fee (\$1,000/yr) and harvest-based fees (i.e., at least US\$1/m<sup>3</sup>).





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## Trends in Collection of Land Rental

Previously, Forest Trends (2020) examined Liberia's legal requirements on benefits-sharing; this briefing updates Liberia's track record implementing this framework since the resumption of logging after the country's civil war.

### **Overall land rental**

When allocated in 2009, seven FMCs covered over one million ha (or about 10 percent of Liberia's land area). The winning land rental bids would have yielded a total<sup>4</sup> of \$410 million in land rental over the 25-year license period. The affected communities would have anticipated more than \$123 million from these payments.

Further, the FDA allocated at least 10 TSCs, and these should have paid at least \$560,000 in land rental fees over their three-year license period. Instead, many TSCs operated for longer than three years, and by the end of 2021, the FDA (2022) reported that TSCs had been invoiced almost \$2 million in land rental fees, but that \$1.1 million were in arrears (57 percent of the invoiced amount). The FDA reports that all TSCs have now been terminated (Forest Trends 2024), but the arrears for the individual TSCs remains unclear.

### **Reduction in revenue expectation**

As noted in the Forest Trends (2020) report, Liberia's legislature eliminated the bid premium in 2013, and the result was foregone revenue in excess of \$300 million over 25 years<sup>5</sup> – more than \$90 million of which would have gone to communities. Still, as of October 2024, communities would have expected almost \$25 million in land rental payments.

### **Amount invoiced & collected**

Instead of transferring the \$25 million to the NBST, the FDA (2024) stated<sup>6</sup> that:

**The community share of the total land rental invoiced equates to \$19,586,058.00.**

“An overview of all payments up to date included a total invoiced of \$65,433,620.60 [in land rental fees]. Of the total invoiced amount, \$43,119,268.00 has been paid (66% of the invoiced amount). The community share of the total invoiced equates to \$19,586,058.00.”

This amount invoiced,<sup>7</sup> however, is only 80 percent of what should have been invoiced, even allowing a year of force majeure in 2015 for the Ebola epidemic.

<sup>4</sup> All bid premiums were fixed in the contracts and not subject to adjustment for inflation.

<sup>5</sup> Note: our estimate of foregone revenue is larger than the NGO Coalition's, even though our estimate excludes charges for 2015, when the Ebola epidemic gave rise to force majeure.

<sup>6</sup> Source: FDA (2024) JIC [report](#): “the total amount [of] land rental fees invoiced by the FDA in 2022 and 2023 corresponds to \$5,050,330.00 ... \$278,879.00 has already been paid, leaving a balance of \$4,771,350.52.”

<sup>7</sup> The FDA data is broadly consistent with NBST data that report, by the end of 2023, \$65,286,861.72 in land rental fees had been invoiced, and of this, only \$34,119,268.52 was collected by the LRA from logging companies. Thus, arrears were more than \$48 million (or almost 60 percent of the total land rental fees that should have been invoiced).



## Land Rental Payments to Communities

Again, instead of \$25 million that should have been invoiced, or instead of the communities' \$19.6 million that was invoiced, or even the \$12,935,780.40 that was reportedly collected, the NBST has received only about \$4 million (Table 1).<sup>8</sup> In other words, the GoL has collected and not yet transferred to the NBST almost \$9 million that is due to communities (Figure 1). This is despite the introduction in July 2023 of a forestry transitory account at United Bank of Africa meant to ensure the “timely remittance” of land rental payments to communities through the NBST (FDA 2023, 2024).

<sup>8</sup> The FDA (2024) JIC report notes that the NBST had spent \$3.3 million on 74 community projects, of which 64% were complete. Projects include 16 school buildings, 14 clinics, 12 guest houses, four community centers/town halls, and eight other buildings, as well as four road projects and 16 community engagement/social services projects. The NBST Board and CFDCs used \$588,300, and a further \$1.2 million remains in the NBST account, not yet shared with the affected communities.

**TABLE 1** All payments made by the Government of Liberia (GoL) to the National Benefits Sharing Trust

Date	Amount Paid by GoL (USD)	Breakdown of Payment by Currency	
		USD	LRD
		1,000,000.00	
		-	22,750,000.00
15-Feb-2017	686,000.00	-	70,315,000.00
19-Oct-2017	343,000.00	-	38,114,000.00
27-Oct-2017	343,000.00	343,000.00	
04-Oct-2021	200,000.00	200,000.00	
02-Sep-2022	100,000.00	-	15,156,106.00
28-Sep-2022	300,000.00	300,000.00	
28-Sep-2022	100,000.00	-	15,156,106.00
02-Nov-2022	600,000.00	-	91,441,533.00
25-Jun-2024	83,663.84	83,663.84	-
21-Oct-2024	120,000.00	120,000.00	-
<b>Total</b>	<b>4,125,663.84</b>	<b>2,046,663.84</b>	<b>252,932,745.00</b>

Source: National Benefits Sharing Trust (as of October 2024).





## The Government of Liberia’s Plan to Pay Communities

The \$9 million owed to communities is still in arrears, despite the previous government allocating more than \$2 million for “Community Forest Sharing” in their National Budget (Table 2).

**TABLE 2 National Budget Fiscal Year 2023 expenditures for Community Forest Sharing**

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Objects of expenditure	FY2021 Sp. Bud.	FY2022 Budget	FY2022 Est Outturn	FY2023 Budget	FY2024 Projection	FY2025 Projection
26 GRANTS	0	3,870,675	3,870,675	746,292	597,034	537,330
265522 Community Forest Sharing	0	746,292	746,292	746,292	597,034	537,330
265524 Forestry Arrears	0	2,000,000	2,000,000	0	0	0
265525 CPF: Forestry Arrears	0	1,000,000	1,000,000	0	0	0

Source: [National Budget Report 2023](#).

Of the grants allocated for communities in the Special Budget of FY21, only about half has been disbursed (Table 1). The FDA (2024) JIC report notes that the “Ministry of Finance and Development Planning (MFDP) confirmed the budgetary appropriation for 2024 in the amount of \$746,292.00 against arrears.” Nonetheless, of the more than \$1.3 million allocated in FY23 and FY24, just over \$200,000 (only 15 percent) has so far been disbursed to the NBST.







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## Recommendations

As stated in a previous Forest Trends (2020) report, the GoL and communities affected by logging are aware of the gap between the benefits due to communities as codified in Liberia's policies, laws, and regulations and the benefits actually paid. The World Bank's (2018) explanation remains valid:

“[C]ommunities have not received these benefits, for two major reasons. First, the logging companies have failed to fulfill their contractual obligations—there are many cases of non-payment or partial payment of land rental fees... Second, the delay or failure by the Central Government (the Liberia Revenue Authority and the Ministry of Finance and Development Planning) to forward remitted revenues, which communities are legally entitled...”

Therefore, our initial recommendations remain valid.

### ***To the Government of Liberia:***

- Demonstrate leadership by improving public reporting on all payments by logging companies, as the GoL does through its membership in the Extractive Industries Transparency Initiative (EITI). For example, by law (NFRL §18.15[e]; see Annex 1), the FDA must conduct annual audits and report “on the Internet and freely accessible to the public” for each FMC and TSC.
- Ensure that the transitory account works to move land rental fees efficiently from companies to affected communities through the NBST. For this to work, the GoL should ensure that invoiced land rental fees (and any arrears) are actually paid by the logging companies.
- Ensure that arrears are then paid to communities, especially the \$9 million that has already been collected from FMCs/TSCs and is yet to be distributed to the NBST.
- Review other compensation payments to affected communities, as well as the contractual obligations due to communities under CFMA management. Given the results of the recent Forest Trends (2024) review of Liberia's logging concessions, it is likely that these communities have been similarly exploited by logging operators. Liberia's National Benefits Sharing Trust, established in line with best international practices, could be used to facilitate community payments from CFMAs, if not all natural resource payments (including, for example, from carbon projects).



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## Conclusion

When the industrial logging FMCs were allocated, communities expected that after almost two decades of industrial logging, they would have received more than \$70 million in compensation by now. Instead, the elimination of the bid premium took more than \$90 million from their legal share. Nonetheless, they still would have expected to receive almost \$25 million.

***The new Government of President Boakai should seize on the opportunity to demonstrate real leadership, right a historic wrong, and help further the development of Liberia's rural people most affected by industrial logging.***

Forest Trends (2020) reported that, by 2020, only \$2.6 million had been shared with communities through the NBST. Communities protested (GNNLiberia 2021) and the GoL released an additional \$1.3 million. A transitory account was established and a further \$203,664 has been released. This is still only 17 percent of what the communities expected, despite the fact that the government has collected almost \$13 million of land rental payments for communities.

A failure to share land rental payments risks undermining not just the forestry sector and rule of law in Liberia, but the development of communities across the country. The new Government of President Boakai should seize on the opportunity to demonstrate real leadership, right a historic wrong, and help further the development of Liberia's rural people most affected by industrial logging.





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## Annex 1: Government Monitoring & Reporting Requirements

Under the NFRL (§18.15[e]), the FDA is legally obligated to conduct annual audits and report “on the Internet and freely accessible to the public” for each FMC and TSC, including:

- The “nature and monetary value of benefits provided to local communities, in total and by community” (§3.4[b]v); and,
- The “amount a [concession] Holder has spent or owes on community benefits” (§18.15[c]ii & §14.2[h]ii).

The FDA has not met this legal requirement as no annual audits or reports have been published.

### ***Transparency and Accountability***

The FDA is also legally obligated to report publicly in writing within 60 days after the end of each fiscal year (FDA Reg 106-07, §41), containing:

- “ (1) The amount of money distributed...to each of the...[CFDCs]...and the date of each disbursement.
- (2) The amount of money disbursed to the [NBST]... and the date of each disbursement.
- (3) The total amount of money disbursed by the Trust to [CFDCs], and a breakdown...by project, date, and Affected Community.
- (4) A list of all complaints received from the public.”

Again, the FDA has not met this legal requirement.

## Annex 2: Analysis of Forestry Company Payments

While the FDA has not reported publicly as per the requirements noted in Annex 1, other sources have reported on benefits-sharing with communities.

### ***SGS***

The last reporting by SGS (2020) notes that “four Annual Area Fee invoices were issued for the total amount of \$595,940.00 and no payment was made.” Earlier, as covered in the first Forest Trends (2020) report on benefit-sharing, SGS reported that logging operators had paid more than \$14 million in area fees, but were more than \$10 million in arrears.

While export permits were not meant to be issued to companies in arrears to the GoL, the Legality Verification Department does not include land rental in their assessment, and so the GoL has repeatedly allowed the export of timber from companies that were millions of dollars in arrears to both the government and to communities.

### ***Liberia Revenue Authority***

In the Forest Trends (2020) report, the LRA had reported more than \$39 million in revenue collected from the forestry sector between FY2013-18. Since then, the LRA reports an additional \$20.5 million has been collected, of which almost \$8.2 million was export fees (Table 3).

The LRA did not report exports for FY23, nor export fees collected in FY22. The latter is consequential because for FY22, the LRA reported a record \$36.8 million in exports,<sup>9</sup> so the related fees should have been substantial, and yet the total revenue to government reported by the LEITI that same year was historically low.



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**TABLE 3** Revenue reported by the LRA & from LEITI from the forestry sector, in millions USD<sup>10</sup>

Reporter	Property Income from forestry		GoL revenue from forestry	Exports		Export Fees paid to GoL	
	LRA	LEITI	LRA	LEITI	LRA	LEITI	
	Actual	Budget					
FY18	6.097	7.397	8.149	No reporting	No reporting	2.356	2.325
FY19 (as of June 30)	0.915	2.572	7.311	2.56	4.02	0.941 (forecast)	2.56
FY20	3.788	6.522	7.888	6.64 <sup>11</sup>	2.62	2.944	3.2
FY21 (July – Dec)	1.324	0.621	Included in FY22	4.494 <sup>12</sup>	Included in FY22	1.00	Included in FY22
FY22	3.561	3.210	7.65	36.751	4.36	No reporting	1.3
FY23	4.803	3.210	Report not yet published	No reporting	Report not yet published	0.959	Report not yet published
<b>TOTAL</b>	<b>20.49</b>	<b>23.53</b>	<b>31.0</b>	<b>50.45</b>	<b>11.00</b>	<b>8.2</b>	<b>9.39</b>

Source: LRA 2020, 2021, 2023, 2024 & LEITI 2024.

**Liberia Extractive Industries Transparency Initiative**

The LEITI requires the GoL to unilaterally report all forestry payments, even by contractors whose production was considered too small to be “material.” Since 2017, this covered between 19 and 38 active companies, depending on the year.

In contrast, only companies with large (“material”) production had to report to the LEITI; again, depending on the year, as many as 28 companies reported, while in the slowest year (FY18), only six reported (Table 4).

**TABLE 4** Number of forestry companies operating in Liberia and reporting to the LEITI between Fiscal Years (FY) 2007 and 2017

# of forestry companies	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21/22
<b>Operating in Liberia</b>	4	20	21	20	28	28	32	27	33	26	26	26	19	38	19
<b>Reporting to LEITI</b>	2	17	19	17	14	18	8	8	8	6	6	6	27	28	9

Source: Forest Trends 2020 & LEITI 2024.

<sup>10</sup> Exports were not reported in all years (see text).

<sup>11</sup> From FY21 annual budget report.

<sup>12</sup> From FY22 annual budget report.



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In the Forest Trends (2020) report, the LEITI had reported more than \$89.6 million in revenue collected by the GoL from the forestry sector from FY2007-17. Since then, the LEITI reports an additional \$31 million in revenue up to the end of FY22 (Table 3).

According to the LEITI, none of the revenue collected by the GoL for FY18-23 from forestry companies was from land rental payments.

Note: The LEITI reported about 50 percent more revenue than the LRA over the same period (FY18-22; Table 3). The LEITI made no explanation for the difference, but the LRA's under-reporting is clear cause for concern.

### ***Liberia Forest Concession Review (Phase II)***

In 2022, the GoL contracted Forest Trends to conduct a review of active logging concessions. Based on data obtained from the FDA, SGS, and the LRA, the Liberia Forest Concession Review (Phase II), found (as reported in Annex 4 and Table 9 of the LFCRII report (Forest Trends 2024)) that the five FMCs reviewed were more than \$28 million in arrears on land rental fees by 2023, based on payments made against invoices of more than \$58.4 million.

The land rental payments reported in the LFCRII for five FMCs (A, F, I, K, & P)—more than \$30 million by 2023—is 88 percent of the total amount of land rental payments reported by the NBST, suggesting that the other two FMCs, now inactive, and all the TSCs paid less than \$4 million in total (or that there were errors in reporting).

### ***Other benefit-sharing***

In addition to land rental, communities affected by industrial logging are entitled to additional compensation. Because these are not required to be paid through the NBST, they are not the main subject of this briefing. However, they are reviewed here briefly.

#### ***Stumpage***

Communities are entitled to harvest-based fees (i.e., at least \$1/m<sup>3</sup>). Because the FDA has not reported on these payments, it is difficult to determine what was paid to communities, much less what should have been paid. Based on LEITI reporting, over the past ten years (to the end of 2022), almost two million cubic meters (1,969,207 m<sup>3</sup>) were reportedly harvested, and therefore, communities would have been entitled to at least a further \$2 million in benefits from harvest fees. However, it could be more as some of the communities negotiated more than US\$1/m<sup>3</sup>; for example, of those reviewed by the LFCRII, the highest was \$3/m<sup>3</sup> (see endnotes for the CFMAs in the LFCRII case briefs<sup>13</sup>).

<sup>13</sup> <https://www.forest-trends.org/wp-content/uploads/2024/02/Volume-2-.pdf>.





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Voluntary Corporate Social Responsibility (CSR) payments

The LEITI reports a number of mandatory<sup>14</sup> and voluntary CSR payments (Table 5).

**TABLE 5** CSR payments made by forestry companies

Year	Company	Mandatory	Voluntary	
			Cash	In kind
FY18	ICC	\$33,000	\$6,000	
	Mandra Forestry		\$3,000	
	Alpha Logging & Wood Processing Inc		\$2,000	\$14,000
FY19	Euro Logging		\$32,570	
FY20	Euro Logging	\$25,000	\$42,387 <sup>15</sup>	
FY21/22	Sino-Forest International Corp Liberia, Inc	\$41,819 \$10,462	\$10,040	
	Euro-Liberia Logging Co	\$41,305		
<b>TOTAL</b>		<b>\$151,586</b>	<b>\$95,997</b>	<b>\$14,000</b>

Source: LEITI 2024.

These \$261,583 in CSR payments represent 0.8 percent of revenue that the LEITI reported as being collected by the GoL from the sector over the same period.

<sup>14</sup> Note: LEITI does not define/describe a mandatory CSR payment, moreover it is not clear why a “m3 fee” is a voluntary CSR payment (see LEITI report for FY20, for Euro Logging).

<sup>15</sup> The breakdown in the LEITI (2023) report for Euro-Liberia is: \$21,226 in m3 fees plus \$12,511 in m3 to CFDCs; \$100 for “CFDC Trip Facilitation To Settle Dispute”; \$1,000 to “Facilitation of CFDC”; \$6,600 for “Human Resource Development Fees”; \$850 for Transportation Facilitation, \$100 for “Transportation to Mobilize CFDC”; and \$25,000 for an Environmental Permit.



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