

Biodiversity Challenge Funds Projects Darwin Initiative, Illegal Wildlife Trade Challenge Fund, and Darwin Plus Half Year Report

Note: If there is any confidential information within the report that you do not wish to be shared on our website, please ensure you clearly highlight this.

Submission Deadline: 31st October 2022

Project reference	DIR26S2\1011
Project title	Building an investment model enabling citizens to protect Liberia's forests
Country(ies)/territory(ies)	Liberia
Lead partner	Society for the Conservation of Nature of Liberia (SCNL)
Partner(s)	Royal Society for the Protection of Birds (RSPB), Finance Earth (previously Environmental Finance)
Project leader	<i>Michael F. Garbo</i>
Report date and number (e.g. HYR1)	<i>31st October 2022 HYR3</i>
Project website/blog/social media	

1. Outline progress over the last 6 months (April – Sept) against the agreed project implementation timetable (if your project has started less than 6 months ago, please report on the period since start up to end September).

Output 1: Normon and Tonglay CFMBs each demonstrate they have the capacity to run expanded small-loan schemes that reduce poverty through encouraging rainforest-friendly livelihoods.

Activity 1.1: Project coordinator and Community Mobilisation Officers (CMOs) continue regular training for CFMBs, community leadership, and loan groups on the small loan programme, incorporating elements related to CCTs.

The project held ten days loan management /ownership training workshops for the 10 members of the CFMBs and 24 CCTs in both clans (June 1 - 10, 2022) with support from 4 CMOs. The essence of the training was for the CFMB to take total control/ownership of the loan program for sustainability and good governance. The CMOs continued to provide support to the CFMBs, CCTs and loan beneficiaries.

Activity 1.2: Approximately every 6 months, project coordinator and CMOs work with CFMBs and community leadership to start a new round of loans with new loan groups, including adaptation of loan modalities as necessary and training for the members of the new groups.

Due to the increase in late repayment of the loans, revolving disbursement as payment are received from previous clients have been postponed to Q4. Contributing factors to this are thought to include the current economic status in Liberia, the migration of people out of the loan scheme area and the worsening road conditions, particularly during the

rainy season, meaning the beneficiaries can't acquire necessary materials from Monrovia or transport their agricultural products to markets in Monrovia.

Activity 1.3: Project leader, co-leader and coordinator work with Finance Earth to design and implement tests of the interest rate mechanism, using financial data collected by CMOs and M&E officer.

As per the revolving loan programme design, it was agreed that Normon, Tonglay, Maima & Zue would have interest rates of 15%, with the other regions having an interest rate of 20%. Due to the high default rates in repaying the loans however, in Y3 Q4 an interest rate of 10% will be piloted. Lowering the interest rate to below 15% will impact the financial viability of the scheme negatively. However, as outlined under Output 3, the revolving loan programme design (based on 15% and 20% interest rates) will not be able to adequately support CCT stipends, hence Finance Earth are exploring alternative funding options.

Activity 1.4: By month 6, project coordinator works with CFMBs and Clan leadership to develop and agree modalities on use of loan interest to pay stipends for CCTs and other costs.

The project worked with the CFMBs to monitor loan repayment and strategize the use of the interest, the project has begun setting 10% aside for CCT stipend payment as of July 2022 and will make that saving available in January 2023 when the CFMB shall applied that fund to supplement the stipend of the CCTs beginning January of 2023 as the payment scheme within Darwin grant fade out. Currently, the default rate in the loan program is at 15%, the current interest held by the CFMBs cannot in its current balance pay the CCT stipend monthly. The Darwin grant continue to be the sole funding source for the monthly stipend. The CFMBs have taken the lead in disbursing stipend to the CCTs as they have now taken over the CCTs works within the communities with limited supervision from SCNL. The project team along with the CFMB did a complete cash count of the physical cash, and the principle was separated from the interest, and saved in the red size of the cashbox.

Activity 1.6: CMOs continue regular ongoing monitoring of and support to the CFMBs, loan committees, and loan groups on management of the loans and on management of the interest.

Loan monitoring has been consistent throughout the period, because CCTs were directly assigned to loan beneficiaries to work with them. The project worked with the CFMBs (June 1- 6 2022) to assign the 24 CCTs to the 64 loan groups to enhance the loan monitoring and environmental education awareness campaign of the program amongst the loan beneficiaries in the various communities. Atleast 28 monitoring visits to all the loan groups were carried out by the loan Officer, CMOs and CCTs. The above project staff visited the CFMBs regularly and ensured mentoring sessions on record keeping to support and improve tracking of the loan program. Additional 24 record keeping books with the names of the loan groups and beneficiaries were supplied by the project.

Activity 1.7: CMOs provide training to borrowers to increase their capacity to run a business and access the loan scheme to increase their well-being.

The Loan Officer is now conducting the loan training in lieu of the CMOs. No formal training was undertaken in this period as project officers focussed instead on providing individual support to borrowers to facilitate the repayment of loans. In addition, CCTs

were directly assigned to the 64 loan groups, providing regular checks on business progress and loan repayment. It is planned that further formal training will occur in Y 3 Q3.

Activity 1.8: CMOs provide training to and work with borrowers to increase capacity for forest-friendly livelihoods activities

The assigned CCTs to various groups ensured monthly repayment and record keeping is up to date. CCTs worked with all 64 loan groups to ensure they are in compliance with the MOU, and ensure loan groups are meeting regularly and promoting conservation messages. CMOs continue to mentor borrowers in groundnut, beans, and honey production as well as supporting cocoa production. The Liberia Forest Sector Project (LFSP) is expected to construct one major bridge on the Kongba road carry out some infrastructure development, and provide/install solar energy for lighting in Normon and Kongbor Towns, which is anticipated to have a positive impact in facilitating business development for the loan scheme.

Activity 1.9: Project leader, co-leader and coordinator work with Finance Earth to test and design optimum livelihood training programmes and test livelihood programmes to grow borrowing capacity.

The business in the box program was developed in Y2, but has not been implemented due to the limited budget available and the decision to focus instead on the financial model for an investment case.

Output 2: Normon and Tonglay CCTs successfully implement conservation/monitoring activities agreed by the CFMBs, the CCTs and other community members, in return for a stipend that reduces poverty.

Activity 2.1: SCNL field staff provide information and carry out discussions about Darwin-funded pilot Citizen Conservation Teams with community members (women, men, youth, occupational groups), community and clan leaders, and CFMBs via meetings and written announcements.

The project CMOs and CCTs continue to provide information about the project through radio. Radio Kongba is the only radio station in the district and it covers all project communities. Repayment announcement, and environmental awareness messages are often discussed on the air.

Activity 2.3: SCNL research technician (RT), with support from the project leaders, train all 24 permanent CCT members and at least 24 potential annual members in biomonitoring. Coordinator works with RT and CCT members to review and revise tools after 3 months, 6 months and 1 yr. Refresher training carried out at least every 6 months.

The project held four refresher training sessions in June and September 2022 with all 24 CCTs covering GPS use during patrols, compass and data collection using navigation data sheets for tracking wildlife and illegal hunting activities. The refresher training also focused on both direct and indirect fauna observation and anthropogenic observation.

Activity 2.4: Project coordinator works with community members to develop patrolling tools. SCNL field staff train all 24 permanent CCT members and at least 24 potential annual members in patrolling and work with CCT members to review and revise tools.

Twenty-four CCTs and ten eco-guards attended four training sessions, in June and September 2022, regarding use of the smart app to collect data on illegal activities. This data is currently being used by SCNL's GIS department to create maps to inform conservation action. The data on illegal activities provided by the CCTs is used by the CFMBs to inform their management plan, which was initially designed by the communities. The results of the CCTs data were presented in July to the CFMBs to create awareness to mitigate illegal activities.

Activity 2.5: Project coordinator develops materials for conservation education and awareness-raising; train all 24 permanent CCT members and at least 24 potential annual members in conservation education and awareness-raising; and review and revise tools after 3 months, 6 months and 1 yr. Refresher training is carried out at least every 6 months.

Project staff held two environmental education training sessions with all 24 CCTs, 10 eco-guards, 10 CFMBs and 320 loan beneficiaries in Normon and Tonglay Clans. This training reminded the loan beneficiaries that they are receiving loan from SCNL because their communities have attained their legal forest status. They were trained to understand the importance of biodiversity and be ambassadors for conservation, parading the towns with T-shirts and posters with messages such as "I am a loan beneficiary helping to conserve nature", "Forest says, please don't destroy me, I give you oxygen, food, and medicine". Another poster read "The Gola malimbe (a bird unique to Liberia) says, The Gola forest is my only home". As long as the forest is intact, and illegal activities are reduced to conserve nature, more good things will continue to come to them. They were also reminded of their conservation messages they signed two years ago, along with their do's and don'ts of forest governance and management.

Activity 2.6: SCNL field staff support CFMBs to identify, schedule and manage the work of CCT members, including reporting by CCT members

The project staff along with the CFMBs conducted a workshop for CCTs to prepare their weekly work plan and monthly report. This is a major capacity development for the project reporting. The CFMBs directly supervise the CCTs, ensuring that weekly plans are made and executed, and reports are written and submitted to the project coordinator.

Activity 2.7: SCNL field staff support CFMBs to develop and implement a system for paying CCT stipends

The project has set up a road map for the CCT stipend payment component of the project, building the capacity of CFMB to manage and disburse the CCT stipend payments; the CCT stipend is currently being provided by the project. The CFMBs now manage the cash disbursement to the CCTs.

Activity 2.8: Project leader, co-leader and coordinator work with Finance Earth to design and implement tests of the CCT membership profile and stipend amounts

Finance Earth modelled a CCT stipend of \$ [REDACTED] USD, a fixed rate conversion of [REDACTED] Liberian Dollars(LRD) as a fixed rate conversion and [REDACTED] LRD (as preferred by SCNL

given the market rate for CCTs in the region). Given the current operating costs of the scheme, Finance Earth raised concerns about the possibility of the scheme being able to pay the higher rate of CCT stipend.

Output 3: A social /environmental investment fund of at least £1,200,000 is secured to fund the combined small-loan and livelihood support programme at a scale that is capable of generating sufficient funds to sustainably support 12 CCTs (including the pilot areas of Tonglay and Normon).

In August, Finance Earth outlined the option of a recoverable grant, in lieu of investment finance, as a means of funding the scheme, in response to SCNL's concerns regarding the risks involved in repayment of the loan, given the delinquency rate, and profits from very economically challenged communities being moved out of the area. Under a recoverable grant, there is no automatic requirement for re-payment and return.

However, after extensive review of the proposed scale-up loan programme design, irrespective of whether it is funded by a recoverable grant or investment finance, the financial viability of the design has, as of late September 2022, been brought into question. The operating and capital costs required to administer the small loans programme are \$ [REDACTED] in order to deliver a total loan book of just over \$ [REDACTED]. In addition to this, the default rates on the loan re-payment by beneficiaries has increased significantly since the beginning of this project; current loan performance data suggests a significant number of borrowers at least 3 months in arrears, increasing default and delinquency risks (23% at 3-6 months; 28% at over 6 months). The worsening economic situation in the country and the large migration of people outside of the current loan scheme areas, thereby reducing the potential market in which these small business enterprises will operate, are only set to compound the financial risks associated with the scheme. Finance Earth have advised that opportunities to increase the small loan programme income are limited by:

- Maximum interest rates acceptable to SCNL (of 15% or 20% depending on region)
- Difficulty to reduce loan term from 12 to 10 months (practical challenge to collect repayments combined with likely increase in default and delinquency rates)
- Difficulty to raise monthly loan repayment amounts due to economic circumstances of target population
- Difficulty to reduce CCT stipend amounts and premium requested to deliver stipend in local currency versus US\$ (\$35 when delivered in USD versus \$50 when delivered in LB\$)
- Difficulty to scale further due to population size and outward migration

In response to this, Finance Earth have suggested exploring the possibility of separating the funding of the CCT stipends from the micro-loan scheme. Finance Earth will be running a Theory of Change workshop with SCNL and RSPB on the 4th November to explore strategically the next phase of this project along with alternative funding options.

Activity 3.1: Finance Earth (FE) will hold regular update calls with SCNL and RSPB to feedback on programme testing and data gathering processes undertaken through Outputs 1 and 2

Finance Earth have had regular video calls with SCNL and RSPB during this period, including four workshops. The first workshop presented some initial financial analysis to SCNL based on the Programme Design and previously provided cost estimates. Finance Earth worked with SCNL/RSPB to receive renewed cost information suitable for

modelling purposes. In the second workshop, Finance Earth presented the updated model outputs based on the Programme Design and renewed cost information. Additionally Finance Earth presented an options assessment to ensure the financial viability of the small loans programme is improved. The third workshop investigated a recoverable grant option of funding the current proposed loan scheme, given doubts raised by SCNL which included the risks associated with re-paying the loan, and the fourth workshop presented the next steps strategically given the emergence of new data on operating costs and delinquency rates (as detailed under the introduction of Output 3 above).

Activity 3.6: Environmental Finance engages with target funders on a preliminary basis / market testing

Finance Earth has had initial stakeholder discussions with a potential investor (IFC). IFC is not able to lend directly to projects but work with local banks and micro finance providers. IFC conducted a scoping of the financial sector's interest in the agricultural sector, and found many local institutions reluctant to lend to this sector.

Activities 3.3, 3.5, 3.7 & 3.8: given the lack of financial viability of the proposed scale-up loan scheme design that has only recently come to light, these activities will be re-assessed in-line with discussions of alternative scheme designs commencing from 4th November 2022 onwards.

Output 4: Results of the demonstrations and the Investment Case for social-environmental investment is shared with the conservation and development community across Liberia and Sierra Leone, including with other communities in the Gola Landscape, the FDA, and across Africa through the BirdLife International partnership.

Activity 4.3: Project coordinator organises exchange visits and/or workshops as appropriate to share lessons learned with other communities in the Gola Landscape

On May 11, 2021, Liberia and Sierra Leone held the Gola Transboundary Technical Dialogue Meeting. The aim of the oneday dialogue was centred around finding lasting solutions to challenges surrounding the Greater Gola Transboundary Landscape. The discussions were annexed by the two technical sessions which addressed legal issues, solutions and enabling frameworks, communication, public education, integration of security agencies, training for rangers within the context of transboundary patrols, the need for public education and awareness regarding the importance of Transboundary cooperation and joint patrols and the unavoidable need to ensure the availability of livelihoods for the people living within the proximity of the transboundary.

Activity 4.5: SCNL staff present lessons learned at relevant regional meetings of the BirdLife International partnership

SCNL's Executive Director, Mr Gabo, represented the organisation and project at Birdlife's World Congress in the U.K. on September 12-16, 2022. This provided the opportunity to share lessons learned from the project with conservationists, renowned environmental activists, and officials of BirdLife International and partners globally.

Output 5: SCNL staff capacity to lead the Darwin Initiative project and future projects is strengthened and broadened.

Activity 5.1: SCNL project coordinator, with support from project leader and co-leader, develops annual and quarterly work plans

Since the inception of the project, The project team developed a three year project work plan for the entire project. At the beginning of every year, the project team extracts its annual plan aligning it to the four quarters of the year. The quarterly work plans are developed and reviewed bi-monthly.

Activity 5.2: SCNL project coordinator, with support from project leader and co-leader, reviews work plans quarterly with all staff and revises as needed

Work Plans continue to be reviewed and communicated with SCNL staff by the project coordinator on a quarterly basis. Quarterly work plans are used to inform more detailed monthly work plans for the CMOs and CCTs implementation of activities in the field.

Activity 5.3: SCNL project coordinator develops M&E plan with support from project leader and co-leader

The current M&E framework, including both data collection and project management, is updated and is currently being implemented. A review of the results framework and collection of data against indicators is expected in Q3. Following discussions with Finance Earth, a review of the M&E research on the project's impacts will be conducted in order to strengthen the case to attract future funding. It is intended that this review will commence from Q3/Q4.

Activity 5.5: SCNL finance staff develop finance reporting tools specific to this project and produce relevant financial reports on time with support from project leader and co-leader

The project-specific excel sheet for reporting and the quick book software reporting system is in place and is being used by the finance team.

Activity 5.6: Project leader and co-leader produce required technical reports with input from project coordinator. By Year 3, project coordinator produces technical reports with support from project leader and co-leader as needed

This report has been led by SCNL's project coordinator with support from the RSPB.

Activity 5.7: Project coordinator regularly reviews biomonitoring reports with CFMBs and CCTs

Four biomonitoring patrol reports have been produced in Q1 and Q2 (two reports each for Tonglay and Norman Clans). The CCTs presented the biomonitoring patrol results to the CFMBs in September 2022 through a community meeting.. Illegal activities were reported to the local authorities for enforcement action.

Activity 5.8: CCTs, together with SCNL research technicians, collect biomonitoring data (e.g. loss of primary forest, signs of illegal activities including illegal hunting)

There were four CCT patrols collecting biomonitoring data during this period (June and September), covering both Normon and Tonglay community forests. In September 2022, the research technician and the CCTs conducted a field research survey on bushmeat hunting. The social science survey targeted hunters to gain insight into hunting frequency, extent and geographical spread, potential changes in hunting activity over time, the motives and drivers of hunting and the financial gains. 52 hunters have been interviewed from 6 communities. An initial analysis has already indicated that 63% were not citizens of Gbarpolu county, suggesting the majority of hunters are coming from outside of the local area. Further analysis will be conducted.

Activity 5.11: Project leader and co-leader work with SCNL staff to analyse all data

It is intended that data on the social impact of the project will be collected in Y3Q3. The Poverty Probability Index (PPI) data for all 320 loan beneficiaries was collected in Y2, the data was analysed in Y3 Q1 and the report has now been finalised. The bushmeat survey with hunters was conducted in Y3 Q2, and the data is currently being analysed. The GIS department of SCNL is currently creating a map of threats within the Community Forests from the CCTs patrol data.

Activity 5.12: Finance Earth has continued to provide quarterly progress reports as expected

Finance Earth has continued to provide quarterly progress reports. The Y3Q2 progress report will be submitted this week.

2. Give details of any notable problems or unexpected developments/lessons learnt that the project has encountered over the last 6 months. Explain what impact these could have on the project and whether the changes will affect the budget and timetable of project activities.

- a) The significant and increasing default rate of loan repayment, exacerbated by a worsening economic situation in the country, and locally by bad road conditions, preventing access to markets outside of the area, and a reducing population due to migration, is becoming alarming and has impacted upon the financial viability of the scaled-up loan scheme. In response to this, Finance Earth will be leading a workshop on the Theory of Change in early November to discuss the strategic direction of the project henceforth. Furthermore, CCT stipends have not been paid from the loan interest due to this high default rate of repayment, impacting upon the future sustainability of the CCTs under the loan programme. If the stipends of the CCTs are not regular or forthcoming, the protection of two Community Forests, The Gola Forest National Park and the Greater Gola landscape, will be at stake. In response to this, Finance Earth are proposing separating the CCT stipend funding from the loan scheme.
- b) Fluctuations in the currency exchange rate have been a major challenge for this project, leading to a significantly reduced budget for project implementation. This has resulted in SCNL defaulting in paying invoices to Finance Earth.

- c) The difficult road and hard to reach terrain of Normon and Tonglay puts the SCNL vehicles in a deplorable condition during field trips. This results in additional spending to maintain the vehicles. There is potential that these necessary repairs may delay implementation of field activities and there may be a need for additional bikes or transportation.
- d) There is significant interest from both local and national politicians regarding SCNL's work in the Gola landscape and ongoing pressure to demonstrate the benefit of foreign funding to the affected communities. One result is that SCNL are expected to provide benefits to the communities over and above that of existing lenders in the country. As government programmes typically use a 20% interest rate, SCNL is therefore expected to make its loans available at a lower interest rate of, for example, 15%. This has a significant impact on the project as it limits the flexibility of the loan modalities that we are able to adjust to prove the model.

The restrictions on the loan scheme interest rate will not affect project budget nor the timetable of activities.

3. Have any of these issues been discussed with NIRAS-LTS International and if so, have changes been made to the original agreement?

Discussed with NIRAS-LTS: Yes/No

Formal Change Request submitted: Yes/No

Received confirmation of change acceptance Yes/No

Change request reference if known:

4a. Do you currently expect to have any significant (e.g. more than £5,000) underspend in your budget for this year?

Yes No Estimated underspend: £

4b. If yes, then you need to consider your project budget needs carefully. Please remember that any funds agreed for this financial year are only available to the project in this financial year.

If you anticipate a significant underspend because of justifiable changes within the project, please submit a re-budget Change Request as soon as possible. There is no guarantee that Defra will agree to a re-budget so please ensure you have enough time to make appropriate changes if necessary. Please DO NOT send these in the same email as your report.

5. Are there any other issues you wish to raise relating to the project or to BCF management, monitoring, or financial procedures?

It has been observed in recent times that the rapid flotation of the British Pound exchange rate against the US Dollar, has negatively been affecting the financial cost of the project. As a case in point, SCNL was authorised to pre-finance the 4th quarter of the project at the total cost of ██████████. Though the project budget is set in British Pounds, actual expenses are incurred in US Dollars. When the pre-financed expenditure report was submitted for reimbursement, SCNL was underpaid to the amount of ██████████ due to currency exchange differences. To date, this problem has not been resolved. Additionally, it has been observed that the foreign currency exchange rate at which SCNL's local Bank Account is credited for all incoming remittances is not the same exchange rate used by the bank when overseas payments are being made to the project's foreign implementing partner (IP) Finance Earth. Going forward, this new phenomenon needs to be addressed by both parties.

If you are a new project and you received feedback comments that requested a response (including the submission of your risk register), or if your Annual Report Review asked you to provide a response with your next half year report, please attach your response to this document.

Please note: Any planned modifications to your project schedule/workplan can be discussed in this report but **should also be raised with NIRAS-LTS International through a Change Request. **Please DO NOT send these in the same email.****

Please send your **completed report by email** to BCF-Reports@niras.com. The report should be between 2-3 pages maximum. **Please state your project reference number, followed by the specific fund in the header of your email message e.g. Subject: 29-001 Darwin Initiative Half Year Report**