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Investing in locally controlled forestry in Mozambique

Potential for promoting sustainable rural development in the province of Niassa

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RURAL CONSULT

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Contents

Executive summary

This report summarises a strategic assessment of the potential of different options for investing in locally controlled forestry (ILCF), with a strong focus on local enterprise development. It looks in particular at the Province of Niassa in Mozambique. This assessment has its origins in mutual engagement by both SIDA and IIED in a dialogue process on ILCF. The process brought together more than 400 investors, local right-holders and forest experts from across eleven different locations, to advance understanding on ILCF. IIED's long-standing support to the forest sector in Mozambique provided an opportunity to explore what options for ILCF existed in Mozambique, in part to inform Sweden's new country strategy for Mozambique.

ILCF is an innovative approach to investment. It involves a paradigm shift away from 'capital seeking natural resources and needing cheap local labour' towards 'local rights-holders managing natural resources and needing capital.' Four necessary pillars or pre-requisites for successful ILCF have been distilled from the dialogue process described above: secure commercial resource rights; enhanced business capacity; strong enterprise-oriented organisation; and availability of fair investment, technology and service provision. We use these four pillars or pre-requisites as criteria to screen possible investment options. We also make a subjective assessment of anticipated economic, social and environmental – triple bottom line – impacts of different options, with additional focus on gender and governance.

The aim of this assessment is to prioritise potential investment options for SIDA, which not only have positive outcomes against that triple bottom line but also strengthen prospects for increasing local control over those outcomes. The ILCF approach is not about focusing on one or more of the four pillars, as each are equally and concurrently important. It is rather about screening options on their contribution across the four pillars and then discarding those with detrimental impacts, opting for those with the highest potential against all four. In this way, SIDA might choose to invest in one particular subsector option and try and make it work; confident that it has been screened and is among the best options in helping to advance locally controlled forestry across all four pillars.

The assessment was made through a field mission to Mozambique, including Niassa, followed by a validation exercise, based on the presentation of a draft of this report in Maputo and Lichinga, Niassa. A four-person assessment team included two IIED staff, one from IUCN and one from Rural Consult. Participants in the two validation meetings in Maputo and Lichinga endorsed the assessment framework and approach used to collate and review information.

The Mozambican context for sustainable rural development faces a number of challenges that are shared globally: population growth and increasing and changing consumption patterns; investments in natural resources – particularly extractive industries – that respond to that growing demand and quest for rapid economic growth; conflicts between the interests of local and distant consumers; and increasing greenhouse gas emissions that threaten the functioning of contested natural ecosystems. ILCF is a deliberate response to such challenges. It pursues justice, such that local people's needs are given due regard in the ownership and use of natural resources. And it pursues sustainability, in that it ensures local people have strong incentives – including financial incentives and access to technology to add value – to manage natural resources sustainably and for multiple objectives.

The province of Niassa is Mozambique's least densely populated and resource rich, with forests, fertile soils, water and minerals – but also one of its poorest. There is space to explore how commercial but sustainable use of natural resources could enhance livelihoods and protect the environment. This assessment looks at ILCF investment options in three major land use types: natural

forests, plantations, and agroforestry. Each with a number of subdivisions that fit current legislative definitions.

Swedish engagement in Mozambique generally, and in Niassa in particular, has been long-term and substantial. It has involved support to a range of programmes that have targeted (i) poverty reduction through budgetary support, strengthened democratic development, increased gender equality and respect for human rights; (ii) promoting sustainable growth through increased productivity and rational use of natural resources; and (iii) research in support of the above. In practice, this has also involved field-level programmes in Niassa, such as the Malonda Foundation, covering investment promotion, enabling environment, financial and business services and community relations. It has also involved support to develop and strengthen the capacity of civil society through long-term support to the work of the Swedish Cooperative Centre (SCC, now Weeffect) and the prospective support of ARENA, covering land rights and natural resource management; farmer associations for local economic development; diversification and market access; and access to information. The latter programme especially has strong complementarity with the ILCF approach.

The field mission led to the development of a case typology of possible investment options. Each of these was screened against four criteria relating to the prospects for strengthening locally controlled forestry and three further criteria relating to their anticipated impacts on livelihoods. For each investment option the team sought a case example upon which to base this assessment. For each case study the analysis was captured and is summarised against the seven assessment criteria. A summary (Table 1) below synthesises those findings.

Table 1. Summary synthesis of ILCF investment options for Niassa, Mozambique.

Case typology	**Prospects for strengthening locally controlled forestry**				**Anticipated impacts**			**Score**
Options for Niassa	Securing commercial forest tenure	Enhancing locally controlled business capacity	Strengthening local enterprise-oriented organisation	Accessing technology, markets and investment on local terms	Economic livelihood benefits	Social livelihood benefits	Environmental livelihood benefits	
1. C/TC								19
2. PS TC CSR								12
3. C/CSL								19
4. C/CCo-M								16
5. C/MU								19
6. C/TP								17
7. PS/TP CSR								11
8. C/ChP								20
9. C/CP								16
10. C/AF TC								18

11. C/AF FT								17

Key: 1. C/TC = Community timber concession; 2. PS/TC CSR = Private sector timber concession corporate social responsibility; 3. C/ChSL = Community charcoal Simple License; 4. C/CCoM = Community conservation area co-management; 5. C/MU = Community multiple use area forest businesses; 6. C/TP = Community timber plantation; 7. PS/TP CSR = Private sector timber plantation corporate social responsibility; 8. C/ChP = Community charcoal plantation; 9. C/CP = Community conservation plantation; 10. C/AF TC = Community agroforestry tree crops; 11. C/AF FT = Community agroforestry fertiliser trees

From these results it can be seen that there exists a portfolio of desirable ILCF investment options, rather than one single preferred option. We recommend that Sweden support a portfolio of enterprise investment that includes some or all of the following four priority options:

- Option 1. Community owned forest concessions

  Nipepe Community in Niassa but also possibilities in Zambézia and Manica. A key part of technical and financial support should be the development of business management skills, including value chain analysis to identify competition and marketing strategies, upgrading options, and internal capacity building needs, such as leadership, financial administration and tax. Another element would be support for the design of management plans, including pursuit of certification through various schemes, including Forest Stewardship Council (FSC); climate mitigation standards, such as Community Carbon and Biodiversity Alliance (CCBA), Voluntary Carbon Standard (VCS) and Plan Vivo; and also options for Fair Trade. For legislative compliance, it will also be necessary to establish processing capacity, for example, through partnerships with carpentry associations in Marrupa, Sanga and Lichinga for integrated processing into furniture, kitchen utensils and other high value products. The integration of different components will also contribute to diversification of the target group enterprise strategies, including ensuring the participation of men, women and youth in the different production lines.

- Option 3. Community Simple Licences for timber and biomass energy

  Sanga, Mwembe and Mandimba. Here financial and technical support should again focus on the design of management plans. This is a major bottleneck for the implementation of the 30/2012 Decree, which has led the Association of Timber Operators to formally ask for a moratorium in its implementation. It is important to support endeavours to implement the new legislation, to ensure that the vision of sustainability is taken forward, rather than current practices of predatory forest creaming that characterise Simple License operators. Piloting a community Simple License enterprise might help unblock the current stalemate between DNTF and private sector operators. In addition, strong support will be necessary for business planning: marketing, competition analysis and accounting, which includes credit procurement, business leadership and administration, and tax. Should the communities opt for biomass energy production, a key focus will have to be efficient processing technology development (kilns) in order to outcompete he many informal producers (see also Option 8).

- Option 6. Smallholder owned plantation timber supply companies / joint ventures

  Support in this option should include the transfer of forest plantation management capacity through partnerships brokered in Lichinga. Communities need to be equipped with both forest management skills – including the development of management plans, plantation establishment and maintenance – and with business training, which is a common feature of all the options. Exploration of how communities might develop at least primary processing capacity or link with existing processing plants (sawmills and carpentry) will also be necessary.

- Option 8. Community plantation-based biomass energy (charcoal / fuel wood) enterprises

  Financial and technical support is needed to identify degraded areas for tree planting, serving objectives of both rehabilitation and production of forest products to meet the growing demand for biomass energy. One element will be the choice of tree species that respond to local demand.

Another key short-term element will be the transfer of better processing technologies, including brick kiln establishment. A longer-term possibility, once sustainable supply chains develop, might be to explore and establish an industry for the production of electricity from biomass energy. This would be a very important cataliser to the development of other industries that require electricity, including agro-processing.

Risk assessments for each of these options highlight a number of potential risks, as well as options to mitigate them. One risk shared across all four options is that 'business management' needs to receive at least as much attention as 'forest management'. There will need to be strong inclusive education processes early on to make this point and to unpack the various required elements for successful business management, including technologies that may be required to allow more sustainable management options to compete with unmanaged alternatives. Further detail on risk mitigation can be found under each option in the main body of text.

In addition to these four investment options, we recommend more concerted efforts to explore a diverse array of forest and farm cash crops, including wild and domesticated non-timber forest products (NTFPs) from multiple use forest areas and agroforestry farm settings. Several participants in the validation meetings noted that longer-term investments, such as in forest timber plantation, would depend entirely on the ability to provide simultaneous improvements to food security. Communities have no capacity to wait for longer-term income streams unless short term needs are met and enhanced. We therefore recommend an exploration of potential food products, including production of juices, jams, dried fruits, vegetables and meat; cosmetics and medicines, including essential oils, soaps, and extracts for pharmaceuticals; and other NTFPs. A more thorough investigation is needed of existing potential in areas where communities have acquired rights to land and/or forests, for example, through land delimitations and demarcation conducted by the Community Land Initiative (iTC), Chipanje Chetu and other CBNRM programmes in Niassa and beyond. It would also be beneficial, for example, to explore the use of dryland forest products from mopane woodlands and baobab forests to build on existing products, such as mopane worms, amarula and baobab juices. Including the dryland provinces of Gaza, Inhambane and Tete would also contribute to reducing the vulnerability of communities in these areas to water stresses and drought. The National Institute for Disaster Management (INGC) has an arid and semi-arid programme that includes support to local timber and non-timber enterprises and would benefit from a long term support.

In summary, we are advocating a relatively uncomplicated enterprise investment approach in particular subsectors. Though it should be noted that we are not advocating stand-alone work on the ILCF four pillars to secure commercial resource rights, enhanced business capacity, strengthen enterprise organisation and broker fair investment. Our contention is that this screening has prioritised four enterprise development priorities; the pursuit of which will strengthen those ILCF pillars, without the need to target them directly.

If these priority enterprise subsectors are agreed by SIDA, a fuller value chain and investment analysis would be needed, developing a work plan within an on-going process of support. If SIDA chose to attempt to make one community forest concession happen in Niassa, for example, or chose to develop a community charcoal concession, the next step would be to engage existing partners who have helped those communities get to where they are now. The value chain(s) would need to be looked at in detail, identifying potential private sector partners if necessary, and an intervention strategy would need to be designed accordingly. In this way, SIDA would embark on a process that is necessarily step-by-step and could be accommodated within existing working procedures – while cognisant that, as the work progresses, there may need to be modification, adjustment or innovation to respond to the emerging reality.

An important component for such a step-by-step approach would be national marketing of the products to ensure stable demand. Technical expertise for such work can be found in regional NGOs,

such as the Southern Alliance for Indigenous Resources (SAFIRE), a Southern Africa NGO that helps communities identify key NTFPs, add value and produce at scale to access mainstream and fair trade markets. A final aspect requested repeatedly was the promotion of exchange visits and on-location learning opportunities with natural product community enterprises in South Africa, Namibia, Botswana, Kenya and other Southern Africa countries.

In short, we recommend the establishment of a programme that pursues a portfolio of enterprise investments likely to strengthen local control over forests and the business based on them. Our recommendation is that this would be managed by one single institutional facilitation unit. The focus of such a programme would be on investment options that set a useful precedent for locally controlled forest businesses, using existing legislative arrangements. The strong focus on particular value chains would inevitably require some cross-cutting activities that contribute to the four pillars of ILCF, which would emerge out of, rather than be the starting point for SIDA support:

- Rights based advocacy to secure local commercial resource rights

  For example, helping to set the precedent of community owned concessions, Simple Licences or plantations; disseminating and defending the legal basis for such developments; securing land rights for plantation based investments; and securing rights to high value timber exploration. Support for tripartite land use planning processes between government, private sector and community represenatives is urgent.

- Facilitating training in business capacity development

  For example, helping local institutions develop and run participatory training in business management, product development, accounting, marketing and so on, together with local business service providers or Universities, such as UniLúrio or Catholic University in Cuamba.

- Catalysing organisational strengthening

  Such as working with provincial programmes and local NGOs to develop product specific cooperatives or commercial associations and encourage these to meet, share experiences and federation at Provincial and maybe even national level. It would be necessary to use the legislation of associations to register such associations and create one-stop-shops for rapid information – processes, incentives and fiscal and non-fiscal obligations – about requirements for establishment and registration of enterprises.

- Brokering investment and market access

  For example, supporting participation in local or regional trade fairs; or arranging meetings for establishing contracts between local enterprises and private sector or donor investors.

We suggest that the timeframe of such a programme ought to be at least ten years, which was a minimum threshold repeatedly asserted in consultation meetings. It would have three phases: early catalytic investment for years one to three; a growth phase for years three to five, with reinvestment – growing the business, improving quality, diversifying the products or simply maintaining levels of production and consistent quality; and a consolidation and outreach phase for years five to ten.

We recommend a wedge-shaped approach to financing that starts small and grows over time. A major challenge in any programme of this type is to reach the multiple communities who might stand to benefit from the support offered. We advocate a step-wise approach, starting with a general outreach initiative that helps to disseminate new commercial options to communities; then selecting and exploring business possibilities with local groups based on valid value propositions; working towards the formal establishment of businesses based on those propositions; validating early ideas in a series of implementation tests; exploring useful business partnerships; investing in negotiating skills;

and introducing practices of performance-based management and field-oriented monitoring and evaluation (M&E).

The ideas presented here might have wider application beyond Mozambique. These include the possibility of more general screening in multiple countries of investment options that establish the pillars/pre-requisites for ILCF. Secondly, it might be useful to network various institutional hubs that facilitate ILCF in different countries where SIDA works. Thirdly, it might prove generally useful to

capture and spread workable business models for ILCF, covering: what shareholding or ownership structures work best? What markets best serve local producers? What models of delivery worked best? What were the offers to customers that were competitive? How was the supply from different sources organised? How were efficiency, product specification and timeliness improved? Finally, it might prove useful in the longer-term to develop course materials on ILCF, to strengthen the capability of practical academic institutions – including provincial level universities – to teach the approach to future generations.

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Acronyms

ADRA	Adventist Agency for Development Assistance
AGRA	Agriculture Green Revolution for Africa
AGRIFUTURO	USAID funded agriculture for development of value chains
AMODER	Mozambique Association for Rural Development
APRONAF	Finnish Programme for Support to the National Forestry Programme (2009-2012)
ARENA	Agriculture and Natural Resources Programme of SCC
CBNRM	Community Based Natural Resource Management
CCM	Mozambique Christian Council
CEPAGRI	Centre for Promotion of Agriculture Investment
CSR	Corporate and Social Responsibility
CTV	Centro Terra Viva
DDF	District Development Fund
DNTF	National Directorate of Lands and Forests
DUAT	Rights of Habitation and Subsistence, Mozambique
FDD	District Development Fund (Government programme)
GAPI	Financing for Development of Mozambique
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
IAC	Chimoio Agrarian Institute
IIED	International Institute for Environment and Development
IFLOMA	Forest Industry of Manica (Plantation)
ILCF	Investing in Locally Controlled Forestry
INGC	National Institute for Disaster Management
IPEME	Institute for Promoting Small and Medium Enterprises, Mozambique
IRPC	Corporate Income Tax, Mozambique
iTC	Community Land Initiative
IUCN	International Union for the Conservation of Nature
MCA	Millennium Challenge Account
MINAG	Ministry of Agriculture
MITUR	Ministry of Tourism
NGO	Non-Governmental Organisation
NTFP	Non Timber Forest Product
OIKOS	Portuguese NGO working for cooperation and development
ORAM	National NGO working on land rights
PCC	Chipanje Chetu Programme (CBNRM)
REDD	Reducing Emissions from Deforestation and forest Degradation
RODES	Network of NGOs for Sustainable Development
SCC	Swedish Cooperative Society – Weeffect
SIDA	Swedish International Development Agency
UCA	Lichinga Farmers Union
UPCN	Niassa Farmers Association
UNAC	Farmers' National Union
ZRD	Zone of Rapid Development

1. Introduction to origins and methodology of this assessment

1.1 Origins of this assessment

In December 2012, Swedish SIDA approach IIED for support to undertake this study on forest-related investment in Mozambique. IIED has supported more than a decade of action research in Mozambique on forest governance, small forest enterprise support and REDD+ strategy development. This particular invitation emerged from collaborative work to develop understanding of optimal strategies for 'Investing in Locally Controlled Forestry' (ILCF)[1] through a series of dialogues.

SIDA had supported the last three of a series of eleven international dialogues between investors and local rights-holder groups on ILCF, which culminated in a meeting in Sweden in mid-2012. IIED co-led and participated in those dialogues and co-authored the review that outlined the main pillars of successful ILCF.[2] IIED also supported the publication of a practitioner guide to ILCF authored by Elson (2012). The development of the ILCF framework has also emerged from more than a decade of IIED's work in support of small forest enterprises; notably through the Forest Connect alliance, which links more than 1,000 supporters of small forest enterprises in 94 countries. A toolkit on how to support small forest enterprise has been developed by the alliance[3] and received a favourable independent review.[4] IIED has worked with CTV in Mozambique to research and publish a diagnostic review of the challenges and opportunities facing small forest enterprise within the country[5] and to offer innovative support to specific subsectors.[6]

IIED developed the approach to this assessment in collaboration with both the Swedish Embassy in Maputo and with the national partner organisations, IUCN Mozambique and Rural Consult Ltd. The proposed methodology was presented to SIDA in an inception report, on which this full assessment builds.[7]

1.2 Objectives of this assessment

The objective of this assessment is 'To provide strategic innovative ideas and recommendations (for the forest land use sector) of relevance to Sweden's new country strategy for Mozambique'. More specifically, the study will contribute to strategy development in terms of social, environmental and economic rural development in Niassa, in the following areas:

- increased *household livelihoods, especially incomes and enhanced food security* for small-scale farmers and farm workers, especially women. Focus should be on effective and sustainable use of natural resources with particular emphasis on lands and forests;
- enhanced *supply of sustainable energy*;

[1] Locally Controlled Forestry is defined as *"The local right for forest owner families and communities to make decisions on commercial forest management and land use, with secure tenure rights, freedom of association and access to markets and technology."*
[2] See Macqueen *et al*. 2012a
[3] Macqueen *et al*. 2012b
[4] Inglis, 2013
[5] Dista *et al*. 2008, Nhancale *et al*. 2009
[6] CTV, 2013
[7] See Nhantumbo *et al*. 2013

- improved *economic conditions for smallholders and greater opportunities for market access* and participation in value chain development and trade.

The study will explore opportunities for smallholders to engage in forestry and agro-forest related enterprises through an approach based on Investing in Locally Controlled Forestry (ILCF).

1.3 An assessment framework based on Investing in Locally Controlled Forestry

SIDA specifically asked for an assessment that was rooted in the ILCF approach. It is important, therefore, to say a few words of introduction about what that approach is in practice.[8] ILCF is an innovative approach to investment, based on eleven dialogues between investors and rights-holders, that offers a different investment paradigm. Instead of the normal progression of investors looking for natural resources and needing cheap labour from local rights-holders, which is the logic of the conventional paradigm, ILCF offers a progression of rights-holders managing natural resources to which they are entitled and looking for investors: the logic of the ILCF paradigm.

ILCF in practice is based on four main pillars or prerequisites, each of which mutually reinforces the other in a cycle, to create an enabling investment environment for locally controlled forestry. The four pillars or pre-requisites are:

- secure commercial resources rights,
- enhanced business capacity,
- strong enterprise-oriented organisations and,
- fair access to technologies, markets and investment.

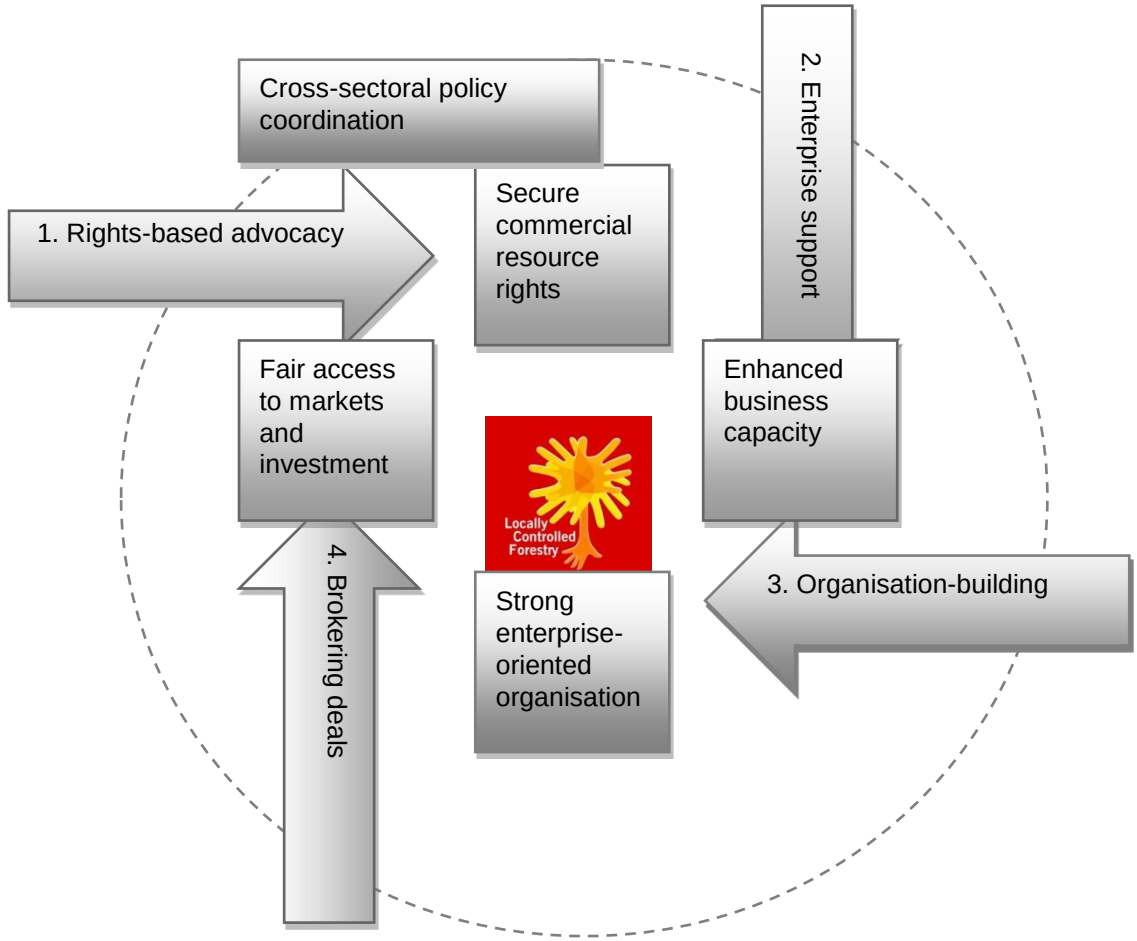
For each pillar or prerequisite there are corresponding areas of **enabling investment** (shown as arrows in Figure 1) that can form the basis for interventions. The aim of such enabling investment is ultimately to create secure, investible, business entities that are locally controlled but organised to a scale at which they can attract conventional private sector **asset investment**, should that be deemed necessary by those business entities.

The ILCF approach is innovative because it interrogates for particular business value chains what particular interventions will strengthen the cycle. This ultimately results in investable businesses that can interact professionally with markets and service providers. It advances these interventions through a series of logical steps geared towards attracting any necessary asset investment or partnership: business proposition, establishment, validation, preparation, negotiation and performance management.[9]

In line with this ILCF approach, this assessment attempts to look at: (i) different value chains options for local rural people in the context of Niassa, Mozambique; (ii) the degree to which those options help to develop the four main pillars or pre-requisites of locally controlled forestry; (iii) the likely resultant economic, social and environmental impacts as gleaned from evidence of specific case examples; and finally, (iv) strategic conclusions and recommendations for the Swedish Embassy in Mozambique.

[8] See Macqueen, 2013
[9] Outlined in Elson, 2013

Figure 1. Four pillars or pre-requisites for ILCF (squares) with enabling investments to bring them about (arrows) in a particular policy and institutional context (rectangle).



In order to break the assessment down into manageable sections, based on specific value chain options, this assessment chose to structure the report within three main landscape types: natural forest; plantation; and agro-forest. These are subdivided into more specific forest management categories, as defined in Mozambican legislation, as below:

(i) **Natural forests**: There are three categories of forest management defined for natural forests within the Mozambique forestry and wildlife legislation. First, the **productive forests** with high value commercial timber, mostly allocated for large-scale concessions and smaller annual license operators. Second, **protected areas**, mostly managed by the government to protect biodiversity, but also inhabited. Third, **multiple use areas** with competing forest and non-forest uses and users. We will analyse within these categories potential options through which smallholders can secure commercial rights, business capacity and organisation, to attract fair investment and market access.

(ii) **Plantations**: There are also three categories of forest plantations identified in the Reforestation Action Plan. The main one of these involves **plantations for industrial timber**. But there are also categories defined that include **plantations for biomass energy** and **plantations for conservation**. The first category is principally orientated towards large-scale investors but the latter categories are oriented also towards communities and individuals within these.

(iii) **Agro-forests**: We will also analyse value chain options within agro-forests, including two main categories. The first category involves options based on **tree-crops**: production of food, fuel and other forest products. The second category involves value chain options

based on the use of trees to enhance soil fertility and increase agriculture productivity. Options within these categories acknowledge the blurred frontiers between forest and agriculture and provide a clear link with identifying viable land uses strategies for climate change mitigation and adaptation.

1.4 What this assessment could and could not do

The assessment looks at value chains of key commodities that can be derived from natural forests, planted forests and agro-forests. Inevitably, this assessment is limited hugely by the timescale and resources of the assessment. To facilitate the emergence of locally controlled forest businesses, a huge number of issues may need to be addressed, some of which will only become apparent through rigorous and participatory value chain analysis, which is far beyond the scope of this initial study. For example, there may be constraints in many different areas of the enabling environment, such as tenure rules, administrative procedures and enforcement issues, transport rules and permits, administrative procedures and their enforcement, and phytosanitary rules. Similarly, there may be business development needs in a wide range of different areas, for example, business registration and management, product development, marketing research and analysis, bookkeeping and accounts, business planning, capital savings and investment fund management, investment proposals development, deal negotiation, technology installation and upkeep, quality management, certification (including carbon), logistics and sourcing.

Advice on precisely what will or will not succeed at this early assessment phase would be highly speculative. Instead, we will confine our analytical conclusions and recommendations to two main areas: (i) which particular options offer the best potential for installing the ingredients for locally controlled forestry, upon which foundations, a wide range of specific businesses might be built; and (ii) which options offer the best prospects for a win-win-win, in terms of positive economic, social and environmental outcomes.

In the context of Niassa, there are significant challenges in relation to the poor infrastructure, large geographical distances, relatively small market base, low levels of education, and so on. Our assessment therefore tries to focus on what seems feasible within local markets but also what offers the best prospects for communicating with more distant markets in other provinces, or possibly export markets.

1.5 Additional specific areas of attention

Gender: Throughout the field work, our team has questioned the specific challenges that women face in developing locally controlled forest enterprises. We have given consideration to the enabling conditions that need to be put in place to enable effective participation and benefits from sustainable agro-forestry enterprises. This was made possible in particular by including discussions with institutions that champion women's participation in small enterprises, as well as engaging women directly in areas where current forest investments are taking place, to gauge the opportunities for their proactive participation.

Governance: Our assessment team also looked into issues of tax and benefit sharing issues, and the degree to which these are being effectively administered. As mentioned in the previous chapter, the government has introduced into the regulation of the forestry and wildlife law of 2002 a provision for sharing the royalties raised from harvesting forestry and wildlife products and services. As a result, 20 per cent of those revenues are being paid to communities. In our field work, we have discussed with stakeholders – in particular from government, NGOs and communities – the impact that this provision is having on local communities. There have been various reviews on effectiveness of the application

of these instruments. We have documented the lessons, to inform views on the channels for financing communities and individuals to implement forest related enterprises.

1.6 Assessment methodology

The assessment team comprised four people from IIED, Rural Consult and IUCN. Each team member undertook elements of the literature review and interviews with key stakeholders. Stakeholders were at national, provincial and district levels, including development partners; members of government across sectors (land and forests, environment, planning, investment, social affairs, rural development); private sector; academia; civil society organisations; and local communities. The list of stakeholders that were consulted is included in Annex 1 to this document.

The assessment team members have all been working on different aspects of participation of local communities in forest management. This includes forest governance; Community Based Natural Resources Management (CBNRM); Reduction of Emissions from Deforestation and Forest Degradation including sustainable management of forests, conservation and enhancement of carbon stocks (REDD+); forest enterprises; and conservation across a wide range of Provinces within Mozambique – indeed all provinces if the experience of the team is taken as a whole. Backed by literature, some of which was authored by the team, we have attempted to include in the report experiences from elsewhere in the country and further afield. The intention is to demonstrate how ILCF can best be implemented in the focus province of Niassa but also how it might be scaled up elsewhere. For example, there are reports from CBNRM conferences, reviews of CBNRM experiences in the country,[10] studies of the scope and potential of small forest enterprise support,[11] reports of the land forum, reports on delimitation of land throughout the country, assessment of progress on implementation of the 20 per cent royalties to communities, and so on.

The assessment took place between late April and mid-July 2013, as shown in Table 2.

Table 2. Work plan and key milestones for this assessment.

Activities	April			May				June				Milestones
Inception report				x	x	x	x	x	x			Submission of draft inception report: 14 May 2013 Feedback from SIDA: 20 May Complete inception report by 07 June
First field work							x	x				Maputo stakeholders meeting: 10 - 31 May Mozambique field visit: 19 - 26 May Niassa stakeholder meetings: 21 - 24 May Debriefing (Skype) with the Embassy: 07 June
Full report drafting								x	x			Submission of draft full report: 15 June
SIDA review										x	x	SIDA comments to IIED: 25 June
Second field visit										x	x	Mozambique field visit: 17 - 23 June Presentation and feedback with SIDA and Maputo stakeholders: 19 June Presentation and feedback with Niassa stakeholder: 21 June
Finalisation											x	Final report submitted on 30 June 2013

[10] For example, Brower, 2011
[11] Nhancale *et al*, 2009

of report

2. Background context and trends

2.1 Global trends as they relate to Mozambique

Over the last 20 years, the global economy has more than doubled from US$ 35 trillion in 1990 to US$ 70 trillion in 2011. This expansion has particular favoured some middle income countries, such as Brazil, China and India. These have in turn started to invest overseas in countries, such as Mozambique. The pace of investment is unlikely to diminish with projections of a global economy as large as US$ 300 trillion by 2050.[12] Mozambique's strong growth rate in Gross Domestic Product (GDP) of seven per cent is slightly misleading in terms of development, in that much of it is tied to large-scale industry, such as in coal and gas, which has had little trickle down to the rural poor. In 2012, Mozambique ranked 185 out of 187 in the Human Development Index and suffers increasingly from inequality. Investment that improves rural income generating opportunities in agriculture and forestry, on which 70 per cent of the labour force depend, are clearly critical.

Globally, population growth is set to rise and then level out at approximately nine billion people, but this aggregate figure hides substantial increases in developing countries, and particularly in sub-Saharan Africa – for example, countries such as Mozambique. Increasing populations will place increasing pressure on natural resources for local consumption. But it is primarily the huge increases in consumption elsewhere that are driving market investment to secure food, fuel and fibre resources in countries such as Mozambique. For example, a tripartite project (Prosavana) between the Governments of Mozambique, Brazil and Japan is investigating the potential partnership models for large-scale foreign and national investor companies with smallholder associations for food crops and biomass energy production in 19 districts of Nampula, Zambezia, and Niassa – including the districts of Cuamba, Lichinga, Sanga, Mandimba, Ngauma and Mwembe. Similarly, the recent biofuel boom spawned a number of investment projects that acquired tens of thousands of hectares of land in Gaza (Procana),[13] Manica (Principle Energy), Sofala (Elaion) and Cabo Delgado (Ecoenergia) – with varying degrees of commercial success.[14] The growing demand for timber, including for pulp and wood chips for energy, is leading to several major investments in plantation forestry within the country. These include investments by Chikweti, New Forest, Floresta do Niassa, Floresta do Planalto (UPM), Companhia Florestal de Massangulo, and Green Resources in Niassa Province – see below.

Increasing global consumption drives greenhouse gas emissions, which has already led to 400ppm of carbon dioxide in the atmosphere. On current trends, the average global temperature is expected to rise by three to four degrees Celsius by 2050 and five to six degrees Celsius by 2100. Even if carbon dioxide levels could be maintained at 450ppm, Mozambique would see increases exceeding 2-2.5 degrees Celsius by 2050 with associated changes in droughts, floods and tropical cyclones.[15] It is likely to become generally hotter and drier in the South and hotter and wetter in Northern provinces such as Niassa. But different regions of Niassa may suffer more drought or flooding, depending on location. This will pose huge challenges in terms of agro-ecological adaptation by local communities, including the need to diversify production systems and income streams. It is unlikely that global patterns of economic trade will be unaffected by such extreme change and there are indeed inherent vulnerabilities to large-scale monoculture production systems favoured by conventional investment patterns. Rural communities in Niassa, with little capital to replace subsistence goods, are likely to be best served by the development of local businesses that can serve local needs, rather than relying on international trade.

[12] OECD, 2012
[13] With companies declaring bankruptcy before even starting investment and after subjecting communities to limited access to crop and grazing land
[14] Nhantumbo and Salomao, 2010
[15] See Asante *et al*. 2009; Patt *et al*. 2010

The challenge facing forest landscapes globally is the continued provision of social foundations, for example, income generation, food security, access to energy and shelter,[16] especially for the poor; without further overshooting planetary boundaries, such as climate change, biodiversity conservation, soil fertility without excess nitrification.[17] In a recent meeting of the Forest Connect alliance, which unites more than 1,000 supporters of small forest enterprises in 94 countries, eight country teams from Africa, Asia and Latin America assessed which forest-farm enterprise subsectors might best deliver both local social foundations while also reducing the planetary boundary overshoot. Each and every team found that while single monoculture solutions, such as large-scale plantations, might be more (or less) profitable, no monotypic solution could provide the required mix of socio-economic and environmental benefits at local and global levels. Not only are large-scale monocultures more vulnerable to climate change, they are also sub-optimal in providing necessary public goods at local and global levels.[18] What this teaches us in assessing options for ILCF in Niassa, is that a multi-functional mosaic of local natural resource based business opportunities is the desired outcome – even if this includes some plantation components. In other words, installing the pre-requisites for locally controlled enterprise is more important than the success or failure of one particular value chain option. This is a conclusion that resonates totally with the findings of recent reviews of the Initiative for Community Lands.[19]

2.2 Introduction to the Mozambique province of Niassa

Niassa province has a surface area of 12.9 million hectares, but is Mozambique's least densely populated province with a projected population of 1.5 million of which 51 per cent are women. Most of this population live in the rural areas and are dependent on agriculture and other natural resources for energy and food security as well as employment. Approximately 50 per cent of the population still live on less than US$ 1 per day. The province has four municipalities: Lichinga, Cuamba, Marrupa and Metangula; and a total of 16 districts.

Forests: The national forestry inventory of 2007 indicates that Niassa has about 9.4 million hectares of forests, dominated by miombo woodland. One of the main current uses of the forest is for fuel wood and charcoal, since these fuels make up 85 per cent of domestic energy use in the province. The natural forest does include a number of commercial species, such as Umbila, Chanfuta, Jambiri and Monzo, which are increasingly being exploited for domestic use and or export – much of which may be illegal. Protected areas within Niassa province include the Niassa Game Reserve covering 4.2 million ha and a partial reserve and wetland of special international importance, Lake Niassa.

The potential for industrial plantations has been estimated at 2.47 million hectares, of which 640 thousand hectares are in the process of being allocated to six companies – including Chikweti Forest of Niassa, New Forest of Niassa, Florestas do Niassa, Floresta do Planalto (UPM), Companhia Florestal de Massangulo and Green Resources – with a combined investment of over US$ 70 million. Reliable data on what has actually been allocated is hard to come by. However, most recent data from the National Directorate for Lands and Forests (DNTF), provided at request for this study, indicate that just 140,000 ha have been applied for and less than half that area authorised. But there are areas that are not covered by this table (Table 3), since companies such as Florestas do Planalto (UPM) do not feature despite their evident operations in Niassa. This is possibly because their area of plantation falls below the 1,000 ha threshold and therefore can be allocated by the Provincial Governor. In addition, civil society groups note that companies such as Malonda Tree Farms (80 per cent shareholding by Green Resources and 20 per cent by the Malonda Foundation) currently hold

[16] See Raworth, 2012
[17] See Rockstrom *et al*. 2009
[18] Macqueen (forthcoming)
[19] Quan *et al*. 2009

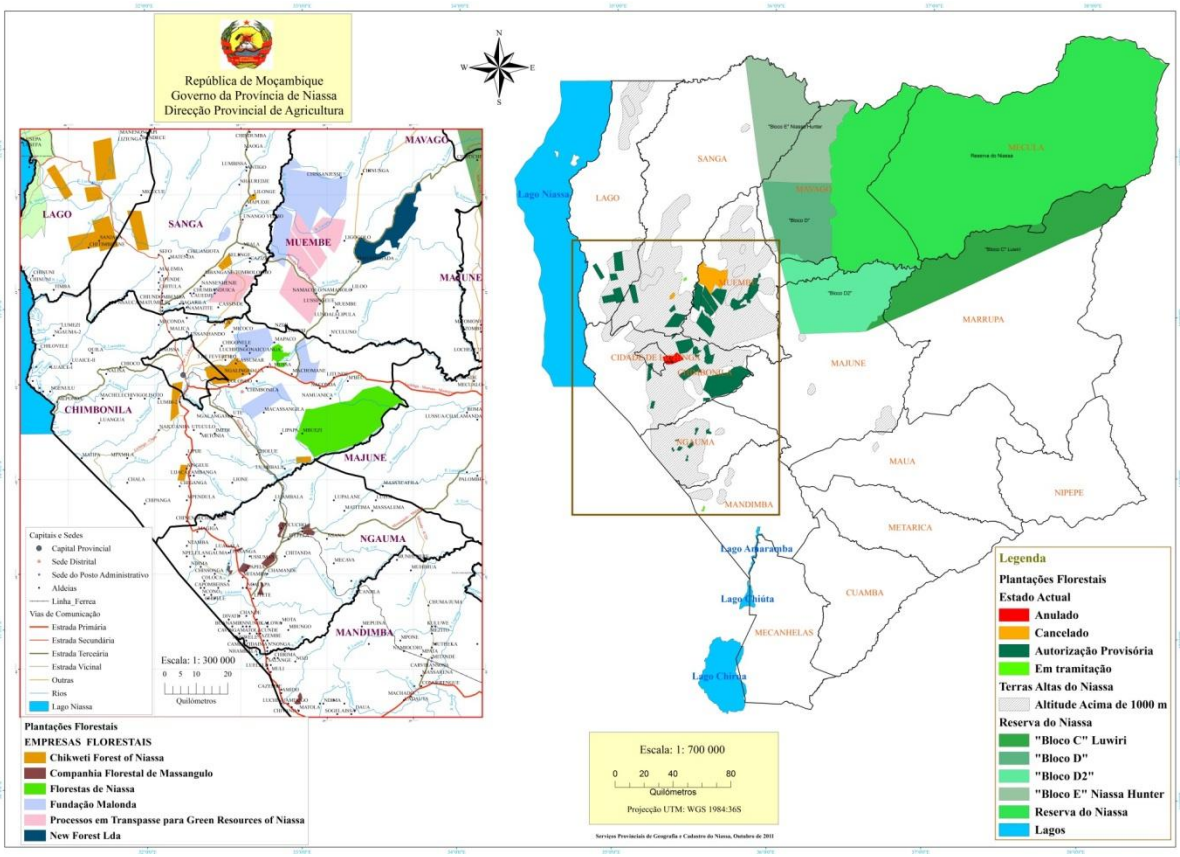
land use and improvement rights, known as DUATs, for over 60,000 ha in Muembe and Sanga, of which 24,000 is for plantation.[20]

[20] JA! and UNAC, 2011

Table 3. DNTF figures of land in process or actually authorised for pine and eucalypt plantation in Niassa Province

Projects	Districts	Land right – DUAT authorised (ha)	Land right – DUAT in process (ha)	TOTAL
Chikweti Forest of Niassa	Lichinga, Lago, Sanga	32,217.77	12,044.00	44,261.77
Florestas do Niassa	Lichinga	40	42,117.30	42,157.30
Companhia Florestal de Massangulo	Ngauma, Mandimba	5,332.00	1,976.00	7,308.00
New Forest of Niassa	Muembe	19,010		19,010
Green Resource	Sanga	7,880.00		7,880.00
TOTAL		45,469.77	68,181.3	120,617.07

Figure 2. Government map of the forest plantation areas within Niassa



Agriculture: The province is also endowed with fertile soils and abundant water resources, giving the province very high agricultural potential. The total area under cultivation is nearly 420 thousand hectares (roughly five per cent of approximately eight million hectares of fertile arable land in the province.[21]

[21] Technoserve, 2012

The main crops in Niassa include: maize, cassava, sorghum, rice, beans and some potato alongside poultry and some cattle. It may be possible to enhance low yields, which are estimated to be only 20 to 50 per cent of the potential achieved in equivalent areas elsewhere, through better technologies. This includes agroforestry, for which purpose the Agroforestry Training Centre in Niassa was established. It is likely that climate change will increase slightly the risk for Casava and sorghum but diminish the risk for maize.[22]

There is also production of cash crops, such as cotton, tobacco, cashew and macadamia nuts, vegetables and, in the last two years, soya bean. This involves smallholders and private sector companies, with schemes such as out-growers being implemented. According to the 2010 Agriculture census, agriculture is dominated by smallholders with over 225 thousand holdings (with an average size of 1.2 hectares). Approximately 31 per cent of these are farming households headed by women. There are other relatively large-scale commercial operators beginning to move into Niassa also, producing export crops such as citrus, mangoes, litchis and bananas, as well as poultry and cattle.

Tourism: Niassa has relatively strong ecotourism potential. For example, Lake Niassa, with its several beaches, is the third largest in Africa, with great touristic value. It has sites with high biodiversity value, including its great importance for valuable and diverse fish resources – actually the highest in the world in terms of lakes. Some sources estimate that there are between 500 and 1,000 native fish species in the lake.[23]

The Niassa Reserve, with an area of 4,200 km square, is 59 years old and one of the major tourist attractions of the province. A high number of large mammals are found there, such as elephants, buffaloes, kudus and sables. This reserve is home of more than 40,000 people in about 50 villages.

Between 2000 and 2012, the Niassa National Reserve was run by the Society for Development and Management of the Niassa Reserve, a partnership between the Government of Mozambique and Niassa Investments Ltd., a private company. This reserve was managed through an integrated programme of conservation, within which some were encouraged community development initiatives.

Another tourist attraction is the Lugenda Wildlife Reserve, which is a hunting area managed by Rani, a private group. Alongside the tour programme on the fauna and vegetation, it also has the objective of benefitting the local communities. Rani is also linked to the Mecula Mountain ecotourism site.

Chipandje Chetu (Field Uzuzo), another game reserve[24] closest to Lichinga, is 6,000 km² in area. It too boasts large mammals: elephants, lions, leopards, buffalo, various African antelopes and a great diversity of birds.

2.3 Policies and institutions governing potential investment opportunities

Development priorities: The Ministry of Agriculture has been adopting several strategies and action plans to improve productivity, access to financial services and markets, and extension services. Following PROAGRI I and II, the Government of Mozambique is implementing the Plan and Strategy for Sustainable Development in the Agrarian sector (2010-2019), as well as the National Program for

[22] Asante *et al.* 2009
[23] For example, Bootsma and Jorgensen, 2004
[24] This area evolved from implementation of CBNRM facilitated by IUCN since the late 1990's

Investment in the Agrarian Sector (2013-2017). Both documents outline key priorities for the forestry sector, including participation of communities in sustainable harvesting of timber and non-timber forest products, as well as engagement in forest plantations for biomass energy and conservation.

The Government of Niassa (2008) has developed a Strategic Plan, with the aim of reducing poverty by 15 per cent by 2017. It defines the following priority areas: i) economic projects, including increasing road and railway access, improving electricity supply, air transportation, investing in agriculture and forests, and tourism; and (ii) social projects, comprising education, health, water and sanitation, and HIV/AIDS. In order to promote investments in the province, a number of fiscal (taxation) and non-fiscal incentives have been put in place.

These national and provincial strategy documents lay out institutional actions that are envisaged within Mozambican frameworks of legislation, which in the forest sector is defined by inter-related bodies of land, forest and conservation legislation, as shown in figure 3.

Business policies and incentives: Mozambique, in common with other countries, tried to kick-start development within corridors that create clusters of inter-dependent and complementary investments. One example is the Nacala corridor, which includes several districts in Niassa. In addition, due to its low economic status, Niassa has been designated a Zone of Rapid Development (ZRD), where investors enjoy the following tax benefits – most of which are deductions from the Corporate Income Tax (IRPC): exemption from customs duties and value added tax on importation of goods mentioned in property class "K " of the Customs Tariff; tax benefits on earnings during five fiscal years; an investment tax credit of 20 per cent; five to ten per cent of tax benefits to promote professional training of Mozambican employees for the first five years; and deductible tax benefits on expenses made on investment by an amount equal to 120 per cent of the amount spent on the construction of public infrastructure or other works that are considered public utilities, for a period of five years.

A series of recent investment conferences in Niassa and the emergence of provincial institutions to help catalyse investment – including the Malonda Foundation – have helped the Province to question how best to attract investment towards pro-poor development. Complementing these efforts has been the approval of the package of tax incentives under the ZRD designation for importing goods, building basic infrastructure, developing trade and industry in rural areas, establishing manufacturing and assembly industry, undertaking agriculture and fishery, installing hospitality and tourism, science and technology conservation areas, and large-scale projects. For example, projects with a value exceeding US$ 500 million are exempt from customs duties and value added tax on importation of materials and equipment necessary to develop the activity.

Furthermore, there are Free Industrial Zones within Niassa, with further tax exemptions on the first ten fiscal years; a 50 per cent tax reduction on the 11th to 15th fiscal year rate; and 25 per cent for the rest of the project's lifespan. Special Economic Zones also exist, with income tax exemption on the first five fiscal years; a 50 per cent tax reduction on the 6th to 10th fiscal year rate; and 25 per cent for the rest of the project's lifespan.

The Government of Mozambique has also established the Institute for Promoting Small and Medium Enterprises (IPEME), charged with providing information, capacity building, facilitation of establishment of national small and medium companies, and promoting entrepreneurship. This is very important when looking at institutional set-up beyond the donor realm, where active engagement and institutionalising conducive conditions for a wider application of ILCF need to be anchored.

Tenure and commercial natural resource rights: As noted above in figure 1, secure commercial tenure is a critical pre-requisite to investing in locally controlled forestry. Within Mozambique, the

legislation has paved the way for secure community land delimitations, the development of land use and business plans, and the establishment of community based natural resources management throughout the country. Some 180 delimited community areas had been registered by 2005. But it is only very recently that options for community forest business are starting to emerge, at least within the plantation sector.

The Land Law of 1997 recognised that self-defining communities, by dint of their historic occupation of the land, can delimit the rights of habitation, subsistence and commercial use (DUAT). The Forestry and Wildlife Law of 1999 and subsequent regulations (2002) secures the subsistence use of forest products, the rights to be consulted when land is to be allocated to investors, and the theoretical right to operate commercially through registration of individual and collective rights governed by Forest Concession or Simple License legislation. The procedures associated with registering such commercial rights have formerly been quite onerous, as noted in Nhancale *et al*.[25] But as we discuss below under commercial forest production, this is beginning to change.

The more recent legal instrument, Decree No. 30/2012[26] defines the requirements for forestry under a Simple License, and the terms, conditions and incentives for establishment of forest plantations. It maintains the right to harvesting forest products for direct consumption but introduces changes on the Simple licenses[27] – requiring a maximum of five years to harvest 500 m^3 of timber annually for up to 10,000 ha for timber and 500 ha for charcoal, with total volume of 1,000 *esteres* per year. Benefits to local communities are required to constitute part of the agreement for harvesting.

Concessionaires are required to respect the rights of others, allowing communities access to natural resources for their own use, exploit natural resources according standards customary law communities, hire forest guards and give preference to communities in the recruitment of labour.[28] Where the concession[29] falls under delimitated or demarcated community land, there is need for a tripartite negotiation, including communities, government through the Provincial Directorate of Agriculture and prospective operators.

For Industrial Forest Plantations, a DUAT is needed. The government recommends that within forest plantations, 30 per cent of the area should be protected or used by small producers, and 10 per cent of the area is for food production. This has not been legislated.

National small-scale agricultural and livestock cooperatives and associations should access land for free.[30]

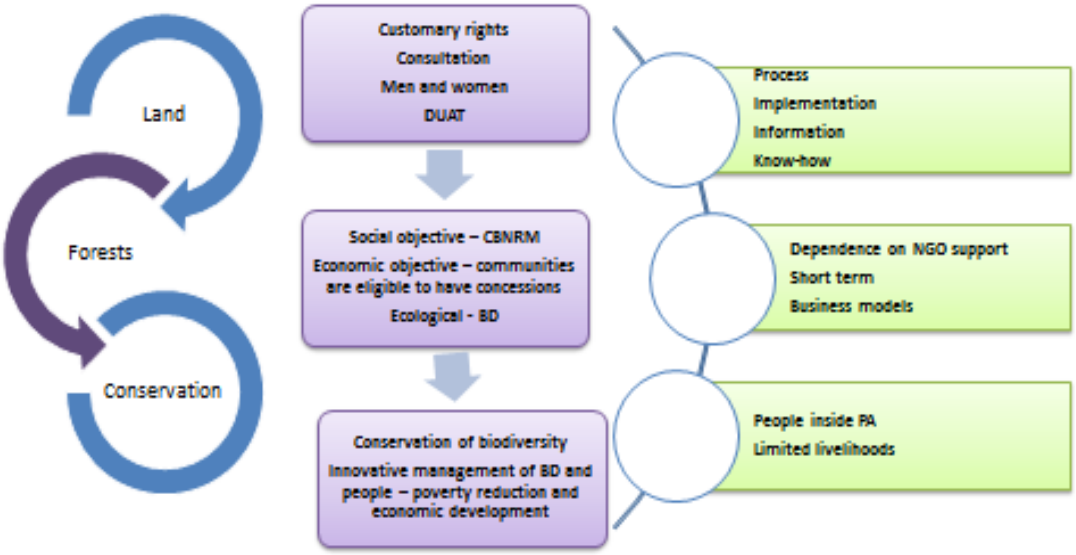
Treatment of gender: Equity in terms of gender is a key element in the legislation. Men and women are both eligible to access and register lands, as well as giving testimony when land is to be allocated to third parties either from within the community or to external investors. The legislation also acknowledges land occupation based on customary rights, however. In both matrilineal and patrilineal societies in Mozambique, men still dominate ownership of assets in these customary systems; hence the control over commercial use of land and other resources. While institutions like ORAM, iTC and MCA have focused over the years on facilitating technical and financial support for land delimitations and demarcation for local communities, relatively little is being done to secure land tenure for women.

[25] (2009)
[26] Repealing sections 16, 18 and 20 of the Rules of the Law of Forestry and Wildlife approved by Decree No. 12/2002
[27] Decree Nº 30/2012,1st August
[28] Decree Nº 12/2002, 6th June; Article 28, c); Article 32, c, d, e, f and g)
[29] Decree Nº 12/2002, 6th June; session IV, Article 35, 2.
[30] Law nº 19/97 of 1st October, Chapter VII, Article 29

Two programmes, 'Capacity strengthening through strategic analysis and knowledge as support for agricultural development in Mozambique (SAKKS)'[31] and the review of gender mainstreaming for the implementation of PROAGRI, highlight key constraints. These include limited coverage of extension services, limited enrolment (20 per cent only) of women in extension training and services, customary tenure of assets and, to some extent, limited political support to implement actions to ensure gender equity.

[31] Moz-SAKKS is a Sida-funded Joint Proposal initiative by The Ministry of Agriculture (MINAG), Mozambique International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), International Food Policy Research Institute (IFPRI), and International Water Management Institute (IWMI).

Figure 3. The complex relationships between land, forest and conservation legislation, the rights they establish (purple rectangles) and the challenges they face (green boxes).



The Community Based Natural Resource Management (CBNRM) approach: As shown above in figure 3, the strong, gendered customary rights secured by the land law, interact with bodies of forest and conservation legislation. The social objective of the forestry and wildlife policy involves the devolution of control over forest resources to local communities, as an incentive for sustainable management. The deforestation threat from local communities was felt by DNTF to be twofold: firstly, there was deforestation due to expansions in low input, low technologies agriculture; secondly, there was high rural (and urban) dependence on biomass energy, with over 18 million cubic metres consumed annually for domestic and industrial use. The latter usage particularly in bakeries and for tobacco curing across the country. This leads to depletion of forests, particularly around major urban centres and towns.

To tackle these two threats to forests, CBNRM was established as a strategic approach, resulting in implementation of many pilot initiatives country-wide. In Niassa, one of the precursors of CBNRM was the Chipanje Chetu Program (PCC) established in the late 1990s in Sanga District, in which the community has access to nearly 4.5 million ha in the vicinity of the Niassa Game reserve. Other initiatives followed in Ngauma and Mandimba, including different versions of community participation in, and benefit from, the sustainable management of natural forests. Within Mozambique, CBNRM always had the idea of enterprise development as one key element. And the CBNRM focus often also catalysed the delimitation of land. As a result of this CBNRM approach, more than 100 CBNRM projects were established across Mozambique and it is estimated that nearly seven million ha of land have been delimited, including over 357 thousand ha in Niassa.[32]

In addition to community management committees, the legislation describes a higher level committee (COGEP) to bring together both communities and other key local stakeholders, such as government, traditional leadership and private sector representatives, to make decisions about use of resources in the area. The extent to which this happens effectively is relatively unknown.

Commercial forest production: Beyond CBNRM, and in line with the strategic development plans described above, the Mozambican Government is reformulating sub-sectorial legal frameworks,

[32] Brower, 2011

attempting to create a series of incentives to promote investments in different areas. For instance, in the forest subsector, the most recent legal instrument is the Decree Law 30/2012, in which incentives for forestry plantation, investor's categories, requirements and benefits are much more clearly defined. It is here that an innovative business entity emerges for the first time: the 'Community investor'. Community investors can be individuals, associations or other kinds of community organisation. According to article 79 (Decree Law 30/2012), forestry plantation can be established by any individual or collective body – in other words, for the first time local people have the right to establish forestry enterprises. Article 18 defines reductions on Environment Licenses (10 per cent) and forest clearance tax (20 per cent) for all forestry plantation companies. Article 81 (Decree Law 30/2012) defines that if established for conservation purposes, forest plantations do not need an environment impact assessment.

The earlier legislation mentions, and the more recent decree 30/2012 further specifies, that small, medium and large-scale companies, as well as community organisations (collective entities) or individual members, can apply for: (i) Simple Licenses, which have changed from an annual mobile extraction license to something longer term; (ii) forest concessions; and (iii) areas for tree plantation for commercial purposes (timber and biomass energy) and/or the conservation and rehabilitation of degraded lands. In order to pursue such rights, local people face certain requirements:

- **Simple Licenses**: open to national citizens only, for areas of up to 10,000 ha; subject to an area based tax, contingent on the development of a management plan. Licensees can harvest up to 500 cubic metres of timber annually or up to 1,000 esteres of biomass energy (charcoal and firewood), for a period of up to five years.
- **Forest concessions**: open to all registered entitities or individuals; contingent on the development of a management plan over 40 years and the installation of a processing industry inside the country. Further requirements include a full environmental impact assessment.
- **Plantations**: open to all registered entities or indivduals who are able to acquire land use rights (DUAT) and carry out an environmental impact assessment, unless the platation is for conservation purposes. For production plantations, there is also a reqirement to establish processing capacity.

In addition, community forests are being promoted through a Presidential directive that each leader at community level should establish a community forest. While there are different interpretations of what sort of forest should be established and for what ends by different communities, the directive has given impetus to acknowledging the importance of tree planting and management at community level.

Benefit sharing from commercial forest production: In addition to the commercial rights described above, it was recognised that the CBNRM approach, while involving small scale economic activity, was primarily ordained for sustainable forest management, not commercial business. Commercial harvesting of forest reserves, as noted above, was handled separately through concessions and Simple Licenses. However, in order that communities might benefit from commercial forest activities *not* controlled by themselves, another key provision was the devolution of 20 per cent of the revenues from royalties resulting from harvesting timber and economic use of wildlife areas, such as hunting and tourism-based activities in national parks and game reserves. While protected areas might limit the commercial business options for communities, due to the primary objective of conserving biodiversity, 80:20 sharing of royalties between government and community acknowledges the role that communities play in maintaining the resources, as well as their rights to some benefits.

In order to qualify for such benefits, communities must be organised, establish a finance management committee and facilitate decision-making about priority uses of those financial resources. This involves formalising an association and opening a bank account for the community. Nearly 600

communities have received 20 per cent shares of revenues from royalties and five districts in Niassa are among the beneficiaries.[33] An assessment of the effectiveness of the process of devolution of 20 per cent to communities indicates that, from 2005 to 2011, more than 103 million Mt or nearly US$ 350 thousand have been given to 861 communities throughout the country. This is out of a total of 1,089 potential beneficiary communities.[34] While these payments are a good social commitment, they do little to inspire the business capacity that will be required to reduce poverty more permanently.

Emerging climate change policies: Fears over climate change, both in Mozambique and more broadly, have led to the development of a REDD+ readiness process and a climate change adaptation plan. These provide a broader context for developing and implementing climate smart investments at a range of scales. Improving carbon sequestration, while also allowing adaptation to climate change, will require innovation. This is not only in land and forest tenure arrangements but also in the capacity and incentives for business development and organisation, and the degree to which these can engage constructively with carbon investment streams.

While there are several opportunities by which REDD+ finance might provide enabling investment for this ILCF approach in Mozambique and Niassa in particular, there remain substantial challenges to: (i) capitalise on existing progressive legislation; (ii) install the business capacity necessary to incentivise sustainable forest management; and (iii) organise those groups at local, provincial and national levels to advocate for longer term changes to the economic plight of communities and entrepreneurs in Niassa.

[33] Brower, 2011
[34] Chidiamassamba *et al*, 2012

3. Swedish Government support to Niassa Province

3.1 SIDA country strategy and complementary ORGUT assessment

The current SIDA strategy 2008-2012, extended to 2014[35] provides support to the government at central level, has a province focus in Niassa and strengthening civil society to address three priority sector: democratic governance, agriculture and energy. The cooperation areas include:

(i) reducing poverty through budget support, strengthening democratic development, increased gender equality and respect for human rights;
(ii) promoting high, broad and sustainable growth through increased productivity and rational use of natural resources; and
(iii) research.

The second area of work has a focus on sustainable economic growth. In order to achieve such growth, a key element of what needs to be strengthened is the productive capacity of locally controlled forest enterprise; that is, engagement with markets on terms favourable to local forest farmers. Past research has found little evidence for poverty reduction through large-scale industrial forestry but the same research has noted much brighter prospects for smaller locally controlled forest enterprise.[36] The Forest Connect alliance has compiled extensive evidence of approaches and tactics that can be used to support small forest enterprises, for example, product development, value chain analysis, financial and business development service provision, strengthening organisation capacity. The guidance has been tested and enriched through action learning in twelve countries, including Mozambique.[37] The extensive dialogues between investors and local right-holder groups, linked to the SIDA-funded process coordinated by The Forest Dialogue, have enhanced our knowledge of the basic pillars or prerequisites of Investing in Locally Controlled Forestry.[38] Part of the innovation in this study will be the assessment of different value chain options against these ILCF pillars (see Approach).

The current SIDA strategy for Mozambique therefore defines priorities and principles that include the productive and rationale use of forest resources and that resonate well with ILCF. This study forms the next step of analysing how ILCF can be operationalised and scaled up in the context of the support provided by the Swedish Government to Niassa province and beyond. Our study also takes into account the context in which Swedish support to Mozambique operates, that is, donor coordination and complementary, in terms of sector support and geographical focus. There are several donors and development partners in Mozambique (DFID, EU, FAO, Finland, IFAD, Irish Aid, MCA / MCC, Norway, Switzerland, USAID, World Bank) also supporting strengthening of rights, increasing productivity of agriculture, extension services, and promoting sustainable forest management.

In addition, SIDA is also supporting a complementary study into local economic development based on agricultural value chain and infrastructure development.[39] While the value chains selected for analysis by that team will differ from those selected in this study, there is a degree of complementarity and overlap. For example, we will be assessing not only value chain options for natural forest and plantations, but also those relating to agro-forests, including both tree crops and fertiliser tree arrangements that support conventional staples and cash crops. We will continue to liaise closely with the ORGUT team throughout this study.

[35] Government of Sweden, 2008
[36] Mayers, 2006
[37] Macqueen *et al*. 2012
[38] Macqueen *et al*. 2013
[39] ORGUT, 2013

3.2 Current programmatic activities – and recent review findings

Sweden has supported the current programme of the Malonda Foundation, which runs up to June 2013. The mid-term review[40] has highlighted significant challenges in the four programmatic areas of (i) investment promotion; (ii) enabling environment; (iii) financial and business services; and (iv) community relations. Key results were felt to be limited, given the resources disbursed, but did include some successes including the investment promotion of a commercial farm, business training, the roll out of microcredit through AMODER, and some attempts to strengthen community management committees. Development opportunities defined by the mid-term review and relating to this study include: clarity over access to land and resources; business development for staple and cash crop production and forestry; more specific trainings on local business opportunities; better alignment of micro-finance and business development services with value chain opportunities; and more structured and formalised approaches to company-community partnerships. These recommendations fit well within the ILCF approach, which offers innovation through integrated support to the development of specific value chains based around the four key pillars or prerequisites. Implementing an ILCF approach will help to give structure to SIDA funded activities, based around making specific business value chains work.

Sweden is contemplating financing the implementation of Agriculture and Natural Resources (ARENA), aiming to support community based agriculture and natural resources management (2013-2015). This programme[41] has three main outcome objectives: (i) stronger partner organisations working to secure land rights and natural resource management; (ii) community-based local economic development, diversification and market access through farmer associations and district unions; and (iii) access to information. Again, these outcome objectives resonate directly with the ILCF approach which seeks to achieve each of these outcomes but based around specific business opportunities and innovative interventions for value chain development.

Furthermore, the Embassy in the context of 'sustaining life' supports WWK in the implementation of a programme aiming at empowering CSOs and CBOs in the Rovuma landscape to improve living conditions and actively participate in the management and sustainable use of natural resources. Ensuring that ecosystems services deliver poverty reduction is the ultimate goal of this initiative. This project is trans-boundary, and sustainable use and management of the Rovuma ecosystems has to be undertaken in both North of Mozambique (Niassa and Cabo Delgado) and Southern Tanzania.

[40] SIPU and ITAD, 2013
[41] Swedish Cooperative Centre, 2013

4. Assessment framework for ILCF options in Niassa

4.1 Natural forest options for ILCF in Niassa

Business based on natural forests is the first of three major areas of potential investment that we explore in this report. The current Mozambique forest policy classifies natural forest land according to its use and management regime, and divides it into three broad categories:

- **Productive forest**: areas that contain high value timber. Such areas are allocated through long-term concessions, generally of over 10-20 years. Allocations are usually large-scale, several thousands of hectares, to both national and foreign companies which can demonstrate capacity for sustainable forest management and can establish a processing industry to add value to the forest products in country. Limited licenses are also issued for hardwood that can be exported as logs. The decisions on concession allocation are made by DNTF. Companies then pay royalties to the government and it is on these royalties that 20 per cent is distributed to communities in areas where the concession is superimposed on community land. There are 26.9 million ha of productive forests in the country with Niassa having the largest share of six million ha.
- **Protected areas**: divided into wildlife rich areas that fall under the jurisdiction of the Ministry of Tourism (MITUR), such as game reserves, hunting areas and national parks; and forest reserves that fall under the jurisdiction of the Ministry of Agriculture (MINAG). Irrespective of this division and the management responsibilities split between MITUR and MINAG, royalties are mainly generated by private sector operations. In some cases, communities are directly involved in managing these areas. Across the country, 13 million ha of forests are located in protected or conservation areas, which includes wildlife protected areas covering 16 per cent of protected areas. Niassa reserve is the largest protected area in the country and accounts for 30 per cent of the total national area under protection. Because biodiversity conservation is linked with tourism in Mozambique, the government delegates to the private sector to run businesses in this area and generate income, but within a framework of conservation legislation.
- **Multiple use areas**: characterised by forests and other wooded formations, in which there are other competing land uses – sometimes the forest is of high commercial value but limited in area. These multiple use areas cover over 14 million ha and are the areas in which most rural inhabitants live. As a result, the resources are always under imminent conversion to other uses such as agriculture and infrastructure development. Within these areas, DUATs are issued for different land uses.

The overall rate of deforestation in Niassa was estimated in the national inventory[42] as 0.22 per cent per annum, significantly below the national average of 0.58 per cent, and much lower than provinces such as Nampula and Maputo, with more than one per cent annual rate of deforestation.

We use the categories above to assess on-going initiatives or potential new options for investing in locally controlled forestry in Niassa. One of the key challenges in Niassa is the prevalence of human-wildlife conflicts. In all the districts visited, this problem was widely reported. Any planned investment therefore needs to consider how to maintain natural biological corridors. In the summary table 4, we present the main ILCF investment options as we see them and then give a more detailed introduction to the cases in the subsequent text.

[42] Marzoli, 2007

Table 4. Options for ILCF in natural forests in Niassa, Mozambique

Case typology				Degree to which local control would be enhanced				Forest business related livelihood impacts		
	Main landscape types	Sub-sectoral enterprise options	Case examples from Niassa province	Security of locally controlled commercial resource rights	Strength of locally controlled business capacity	Scale and efficacy of locally controlled enterprise organisation	Availability of fair investment, technology and service provision	Economic livelihood benefits from: (i) ownership (ii) partnership (iii) employment	Social livelihood benefits from: (i) association (ii) trust (iii) social investment	Environmental livelihood benefits from: (i) sustainable management (ii) resilience / adaptation
1	Natural forests	Option 1. Community forest timber concession	Nipepe community	High – Strong precedent of community ownership of high value forests established	High – Would involve enabling investments in business capacity	Medium – Potential for carpentry association in Marrupa, Sanga and Lichinga	Medium – University, Private and Project service provision	Positive – through ownership and employment	Positive – through community organisation and forming commercial associations	Positive – if management capacity can be enhanced
2		Option 2. Company timber concession with CSR	Various applications	Low – Reinforces view of community subsistence mentality	Medium – Some potential to develop NTFP business partnerships	Low – Treats community as low paid labour	Medium – some scope to invest in market development of other products	Limited – to economic benefits of labour or NTFP business development	Negative – organised labour associations likely to be discouraged	Positive – if community partnership can enhance law enforcement
3		Option 3. Community Simple License (SL) timber / charcoal businesses	Sanga, Mwembe, Mandimba	High – Strong precedent of community SL business	High – Already established businesses to work with	High – would need strong association / trader / retail links	Medium – technical charcoal expertise thin	Limited – already profiting in informal value chains	Positive – requires good social networks	Positive – best bet to reduce unmanaged charcoal production
4		Option 4. Community commercial co-management of conservation areas	Niassa Reserve	Medium – partial securing of commercial community rights	Medium – smallish biodiversity friendly activities not tourism management	Medium – limited scale of associations	High – NGO and private sector activities but not all business focused	Limited – commercial activities constrained in conservation areas	Limited – small associations and business groups for biodiversity friendly work	Positive – strong link between community engagement and conservation

5	Option 5. Community business in multiple use areas	Chipanje Chetu Programme	High – Strong potential to strengthen rights	High – potential to develop wide range of businesses	High – strong producer associations could be developed	High – programme and NGOs already working towards this	Positive – capitalising on new land rights	Limited – but only because communities already well organised	Limited – depends on the degree to which business option can lead to restoration

4.1.1 Productive forest investment options

Option 1. Community owned forest concessions for timber and biomass energy – for example, Nipepe Community

Introduction

Despite the fact that Niassa has a large area of high potential productive forests, it does not have operating commercial concessions yet. Within this context, there is an exciting opportunity to test the engagement of community capacity to manage a high value commercial concession, which is not yet fully operational. Nipepe community in Niassa has organised in order to apply for a concession, with APRONAF / OIKOS providing some capacity building.

A community concession of this sort could also explore the potential for integrated management of these areas to include, for example, the production of non-timber forest products (NTFPs). Community ownership of concessions might help to redress some longstanding issues associated with concession management such as law enforcement in the implementation of management plans and value addition. Given that unsustainable logging is one of the drivers of deforestation and forest degradation – of concern in the new REDD+ strategy – such a case could be a good opportunity to test whether the additional incentives for enforcing sustainable management derived from community ownership could help tackle unsustainable logging. A concession of this type might also provide a simple ownership structure or channel through which climate finance could be directed, towards both payment for ecosystem services of forests and reducing poverty. This would be the illusive win-win for which everyone is searching. Testing such a model in Niassa would make a substantial contribution towards the implementation of the national REDD+ preparation plan that will inform the design of the country strategy for reducing emissions from land use and land use change.

Degree to which local control is enhanced

Security of commercial resource rights would be greatly enhanced if an example of a community owned concession could be developed successfully. The Nipepe community show a strong sense of community ownership. This would be a unique example of a forest concession owned by a community in a context where other private sector concessions are not yet operational but the situation might change with more applications in the pipeline. A major challenge will be the requirement that a concessionaire develops industrial processing capacity for timber. A detailed analysis of market access opportunities would be needed, so that any processing capacity was tailored to the rather limited market in the province or oriented towards demand in neighbouring Nampula – and possibly to supply the relatively large furniture industry in Maputo.

Strength of local business capacity would be very much enhanced if enabling investments in business capacity development could be mobilised to establish the Nipepe community concession as a viable and sustainable business. Our initial assessment is that capacity building needs include skill development in various areas of business management: accounting, credit management, leadership, administration, marketing, partnerships, competition, shareholding, accountability, tax obligations and incentives. It would also be useful for a service provider to work with Nipepe community business to undertake a thorough value chain analysis. This would ensure that community business managers improved their understanding of where they might need further support or investment to improve financial returns. One possible link that could be made is with the Financing Institution for Development of Mozambique (GAPI), which launched a new private sector support programme, funded by the Danish government, to improve the business environment, develop and promote agro-business, rural infrastructure (road) development, and capacity building to government institutions, such as the Centre from Promotion of Agriculture Investment (CEPAGRI). GAPI has a component for supporting youth and recent graduates to design and implement small projects related to agro-investments, which may even involve local communities. They also offer credit to small enterprises,

youth entrepreneurs and guarantee fund and risk sharing mechanisms. This could be harnessed particularly for women, who have a good record of repaying their loans,[43] focusing on building their capacity to run forest related enterprises. There are, of course, many challenges ahead. The community need continuing support once the currently supported projects end. ORAM are exploring a takeover once secure funding is obtained. The low levels of literacy might limit the participation of community members in high-level managerial positions. It would be necessary to define more clearly the role that women can play in this investment. One possibility might be to explore the hiring of graduates from Lúrio University by the Nipepe community, to buy in technical and management know-how. A further challenge is that the GAPI new credit scheme still awaits approval of the procedure to allocate funds and services. On the other hand, AMODER finances mainly commercial activities and seldom the production and processing, which would be critical to giving impetus to local economic development, including the creation of employment and income.

Scale and efficacy of enterprise organisation could be enhanced in the near term by developing a commercial association and purchase agreement with carpenters in Marrupa, Sanga and Lichinga, who can further add value to harvested timber from the community concession. There is an immediate need to strengthen and change the function of the committee, which was formed for acquiring the concession, into a company board to assist with making strategic decisions. There is a need meanwhile to delegate day-to-day management tasks to a management team. One challenge will be exploring how best to proceed with developing a processing arm of the business; potentially through a regional association, or by registering as a company, with the aim of increasing value added carpentry products in the province.

Availability of fair investment and technology and service provision could be enhanced though the development of this option. The members of the community are eager to work in the business. A partnership could potentially be developed with Lúrio University, with a technology workshop being established that can design courses tailored to meet the technical demands of community concessions. Lúrio University already has a programme of forest extension that can be tailored to support forest enterprises in the context of concessions owned by community. The Catholic University in Cuamba can provide additional assistance in training. In addition, there are a number of potential service providers, including the Network of Organizations for Sustainable Development (RODES), Lichinga Farmers Union (UCA), Proguese Cooperation and Development NGO OIKOS, the Christian Council of Mozambique (CCM) involved in conservation, the Swedish Cooperative Center (now called Weeffect), Accord, Concern, and Estamos, that can be brought in to meet the different training and technical support needs of communities. A challenge will be the provision of credit for the initial establishment of the business, including building infrastructure of offices, saw mill and secondary processing in Nipepe. There are some concerns over the technical skills of community members to implement the management plan, conduct sustainable logging and manage primary and secondary value addition. To address this, a concerted early push might be required that quickly formalises partnerships between the Universities and other development centres.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment are expected to be positive, on account of the profits that will accrue to the community as owners of the business. In addition, there will be direct opportunities for employment for a number of community members. A partnership with a local association of carpenters who would buy the timber produced is a further source of potential income.

[43] For example in the context of the decentralized Government Development Fund (FDD)

Social livelihood benefits from collective action / transparency and trust / social investment are expected to be positive because of the degree to which this option will encourage the formation of a strong community business and related value added processing association. There are challenges in ensuring that benefit distribution at community level is kept transparent and that the business reinvests sufficiently from any profit to strengthen its business case, in the face of perhaps pressing social need.

Environmental livelihood benefits from sustainable management / resilience adaptation are expected to be positive, on account of the local accountability and potential to enforce managed harvesting of the forest. This option also diversifies community income streams in the face of climate change, which will help build resilience.

Risk assessment

As this is one of four options prioritised for investment by SIDA, we include here a risk assessment, describing a series of key risks, disaggregated by the actor to whom those risk apply. For each risk, a number of possible effects is listed with potential measures for their mitigation.

Actors	Risk	Effects	Measures for Risk Mitigation
Local community members (men and women)	Low technical capacity might affect the adoption of sustainable forest management practices (e.g. forest management, forest harvesting technologies and techniques, processing technologies, markets and marketing, supply chain, financial management and reinvestment in the business)	Continued unsustainable harvesting practices Lack of link along the value chain might affect the sales, hence the net costs of the business	Identify members of the concession and skills set as well as training needs and provide training to members of the concession Establish long-term agreement with Training institutions such as Lurio University for continuous technical assistance (training and student attachments)
	Women might be excluded from the business	Maintain the status quo – limited participation of women in mainstream businesses affecting their economic empowerment	Identify women's skills needs for the concession, skills sets as well as understand the role they can play in the management of the concession. For example, women are often trusted with financial management and ability to honour their credits. Training could give them tools to ensure good practices in business management; train women also in all other skills from tree harvesting to processing
	Non application of labour rights and obligations according to national legislation	Low wages and no benefits	Awareness on labour legislation and employees rights. This would set a good standard and can also be a selling point for sustainable and just businesses. Use Legal (Labor Mediation Centre (CML[44])/ Commission Extrajudicial Employment Dispute Resolution (COMAL)[45]) to support building of dispute anticipation and prevention
Consumers	Demand of timber products low and consumers unwilling to pay a fair price for products from sustainable sources	Low prices for the products or stock piles of finished products	Incorporate marketing into the business structure to build consumer awareness on support for sustainability, livelihoods and climate change mitigation efforts; target niche markets

[44] Centros de Mediação Laboral
[45] A Comissão de Mediação e Arbitragem Laboral (COMAL)
http://www.portaldogoverno.gov.mz/noticias/news_folder_econom_neg/fevereiro-2011/centros-de-mediacao-resolveram-cinco-mil-conflitos-laborais/

Donors	Concession management might be pursued over the design of an integrated business (e.g. including harvesting- primary and secondary processing). This might reduce the gains that communities could make from the business and incentive to manage the concession.	Local producers continue to get low prices for their unprocessed products with limited capacity to negotiate good prices with a small number of buyers of raw materials; limited funds to reinvest in management	Provide investment to enable the establishment of integrated business with processing capacity as required by national legislation, but also going beyond primary processing; this will also result in more job opportunities being created at local level
	Financial support limited to establishment of business and follow-up funding inadequate to ensure longer term viability	Lack of sustainability as there is need for investment in establishment, growth and consolidation phases of business.	Provide long term support based on viability of the concession and certainly beyond five years and preferably to cover 10 years with decreasing support as the business capacity develops Support a financial management and financing strategy to be incorporated into the business for example to facilitate access to credit from commercial banks once enterprises are viable, able to raise collateral but also to reduce risk of losing the business to creditors
Private sector	Competition with well-established business	Limited access to market	Training has to include understanding of competition, competitors and ways of securing competitive edge for community based enterprises – explore sustainability and inclusive business labels and use this for marketing and identify niche markets
Government	Stringent requirements and bureaucratic processes for establishing forest concessions leading to delay in securing necessary licenses	Increased cost of establishing community forest concessions	Government could establish a package of incentives (fiscal and non-fiscal) to support community enterprises
	High royalties and taxes affecting the cost structure of the smallholder businesses – community enterprises should be provided incentives through preferential taxation and royalties	High costs of production and this might be passed to consumers, hence affecting demand	Government should contemplate having extension services dealing with support for small community forest enterprises. The National Directorate for Rural Extension (DNER) at the Ministry of Agriculture and the National Directorate for promoting Rural Development (DNPDR) and the National Institute for Promoting Small and Medium Scale

			businesses (IPEME) at the Ministry of Planning and Development have a role to play in supporting such investments.
	Lack of government support in monitoring sustainability impact of concessions	Lack of sympathy for broader benefits of community forestry	Strengthening the capacity of governance structures at local, district and provincial level to ensure awareness, strong ownership of community pilot and lesson learning on ways of overcoming constraints in a timely manner. The COGEP might be a good platform for this.

Option 2. Company concession corporate and social responsibility (CSR) – various

Introduction

While Niassa does not yet have any operational concessions, at least four concession applications from the private sector have been accepted, two of which have management plans awaiting approval. In the recent past, eleven further concession applications have been submitted.

Undoubtedly, several of these forest concessions will be approved. This fact opens up an opportunity to explore whether a better relationship can be developed between private sector concession holders and local communities, including the mandatory payment of 20 per cent of the revenues to the communities. A particular focus of corporate and social responsibility (CSR) might be useful. The process of consultation that is required during concession applications needs to be revisited from a commercial perspective; not just dealing with employment pay and conditions and social projects, but also looking at possible company-community business partnerships. Enabling investments could allow the exploration of which community business opportunities could be enhanced by partnering with a concession holder. A strong partnership with a local NGO or programme could help to ensure that communities get a better deal from new concessions.

Degree to which local control is enhanced

Security of commercial resource rights: This option does not advance the potential acquisition of commercial forest rights by communities. Indeed, it maintains the current perception that communities can do little more than subsistence agriculture or low paid wage labour. Nevertheless, engaging in such cases to move the consultation process between concessionaires and communities away from a simple bartering over social projects towards a real business partnership arrangement, could usefully establish a precedent from which best practice guidelines could be developed.

Strength of local business capacity: This option does little to develop business capacity in terms of developing timber business capacity. Nevertheless, there might be ways of partnering with concessionaires – in terms of transport, finance or business training, and so on – to develop some other business options at community level, for example in NTFP production or value addition to agricultural crops.

Scale and efficacy of enterprise organisation: This option is unlikely to further the organisation of local groups for business, except in the more limited extent described above. Substantial experience with concessions elsewhere suggests that attempt to develop labour organisations or unions is usually discouraged by the private sector as it inevitably leads to negotiation over pay and conditions.

Availability of fair investment and technology and service provision: As noted above, there are a number of potential service providers including RODES, UCA, UPCN, OIKOS, CCM (conservation), Weeffect, Accord, Concern, and Estamos that can be brought in to meet the different training and technical support needs of any community business ventures that might emerge in partnership with a concessionaire company. Yet it is difficult to see what advantage this option would have over more generic business development services outside of concession areas.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment are expected to be limited, on account of the restriction of main benefits to low paid labour. There are more than 180 forest concessions in the country. Most of the concessionaires employ local people for low paid jobs, such as identifying good species (*pisteiros*) to help with creaming the forest.[46] Jobs are also created where primary processing takes place in the saw mill. However, most concessions do minimum processing to allow export of timber. This reduces significantly the potential income that could be generated both through payment of salaries, income taxes, value added and others.[47] Nevertheless, if business opportunities could be developed that involve some form of company-community partnership, for example, in sharing transport for NTFPS for market, seed funding a community business loan facility, it might be possible to expand the economic benefits of such an option.

Social livelihood benefits from collective action / transparency and trust / social investment are expected to be negative on account of the generalised distrust by private sector companies of organised labour groups. There is an opportunity, however, to develop ideas for community business organisation outside of the timber sector that might provide an opportunity for enhancing social livelihood benefits and social need. The payment of 20 per cent of royalties by the government to local communities will also contribute to helping them in meeting some priorities such as social infrastructure.

Environmental livelihood benefits from sustainable management / resilience adaptation are expected to be limited. Management plans are not often implemented by concessionaires. There is limited capacity within Niassa, in terms of number of personnel, to actually verify the level of implementation of management. Concessions are often applied for as a means to gain access to areas of forests for unsustainable logging. Unless very strong agreements between communities and companies can improve the track record of sustainable forest management, which has not been evident in other concessions across the country, with one or two commendable exceptions, this option offers little.

Option 3. Community Simple Licences for timber and biomass energy – Sanga, Mwembe and Mandimba

Introduction

Within Mozambique there have been a number of examples of community controlled Simple Licenses (SLs) since 1998; some early examples were pursued with support from FAO, in the development of thinking about CBNRM. New legislation (30/2012) offers an opportunity to build on these experiences and develop a community-controlled, sustainably managed SL business that conforms with the law. The challenge, given the convergence between new SL legislation and the existing concession requirements, is to see if provisions for the greater commercial community involvement, scale and timeframe within the SL legislation can be made economically viable.

There are relatively large numbers of (small-scale) operators who apply for annual licenses to harvest timber in the province: 35 operators in 2012 and 32 in 2013, mostly in Maua, Mandimba, Metarrica, and Marrupa, but with activities spread across 11 out of the 16 districts of Niassa.

Even more operators are engaged in charcoal production but informality is high and only two licences for charcoal production have been approved from private sector companies. The level of coverage of electrification in Niassa is very low and almost the entire population, rural and urban, rely on biomass energy for cooking. There is therefore a large informal sector that meets the demand, particularly in

[46] Ogle and Nhantumbo 2006
[47] *Ibid*

the urban areas where charcoal is the preferred type of energy. There are options for investing in community charcoal production businesses. There are community associations, including carpentry and charcoal production, in Sanga. Two charcoal production licenses have been issued, one from a Sanga-based association and one from a Lituezi charcoal association with ten members, in Mwembe district. In addition, a community association (Cidinga) from Maua district has also applied to start charcoal production in 2013.

There is an opportunity for enabling investment in LCF that link to the government decentralised funding (FDD) for different enterprise – known as seven million Mt, the average allocation per district. This has offered some support to forest enterprises and can be capitalised on in any new approach.

Degree to which local control is enhanced

Security of commercial resource rights: Once again, developing a precedent in Niassa for local community groups owning short-term commercial harvesting rights through the Simple License legislation would greatly advance the degree to which communities can secure commercial resource rights across the country. The new legislation (30/2012), which requires small operators to have a harvesting area for up to five years and up to 10,000 ha with management plan, will reduce the degree to which Simple Licenses are unsustainable short-term extraction permits. Developing some solid examples of sustainable community forest management under this regime is a priority. While timber production is one option, an easier starting point might be the development of community Simple Licenses for charcoal production in Sanga, Mwembe and Mandimba. The iTC has already supported the communities in Sanga and Mwembe to acquire land use rights (DUAT). There are challenges to be overcome, such as the dissemination of the new legislation, including to government field staff; and having basic documentation of citizenship, such as an Identity Card and a tax contribution number. The latter are key requirements for opening, registering and running businesses. In addition, thought needs to be given to how communities might source the financial resources to meet the requisites of legislation 30/2013.

Strength of local business capacity: The advantage of pursuing a Simple License based on charcoal production is that several communities already have considerable business capacity in its production. For example, there appears to be strong organisation within the Lituezi community management body, as well as the association regarding charcoal production. The production is currently very informal and many producers, transporters and retailers do not have licenses. This would be an opportunity to support such groups in moving towards formality and creating stronger enterprises in the process. As noted above, GAPI has a credit line for small forest enterprises under development; targeting specific groups of entrepreneurs could play a key role in providing impetus to the operation of annual licenses as robust sustainable businesses. One challenge is to ensure that official support is directed towards such enterprises. In 2012, for example, Mandimba district benefited from 13,500,500.00 Mt from FDD, of which only 1.5 per cent was allocated to five forestry related projects, in carpentry and charcoal production. Another challenge will be to develop the marketing capacity of such businesses. The Lituezi charcoal association, for example, currently relies on intermediaries from Lichinga to purchase charcoal in bulk.

Scale and efficacy of enterprise organisation: The prospects for establishing community-based charcoal business associations, formalised and incentivised by the acquisition of Simple Licenses, seems to be strong. In addition, the low population density and small size of major urban centres means that production volumes will be able to meet biomass energy demand in towns and rural areas of the Lichinga province for the foreseeable future, without unduly threatening the resource base. Challenges are that the number of organised community producer groups or associations is still very small – and most producers operate illegally, without the cost of management planning and so on, involved in Simple License acquisition.

Availability of fair investment and technology and service provision: The great advantage of formalised charcoal production is that production efficiencies can be greatly improved by installing relatively inexpensive but much more efficient kilns. Introducing such technology might be one way to out-compete the informal competitors who do not pay Simple License fees and management costs. Efficiencies can also be had by better organisation of associations and retail outlets. The Lurio University and the Catholic University, as well as other regional service providers, can provide targeted capacity development in this regard. One challenge is that at present, there was no obvious indication of service providers supporting small scale producers to implement sustainable harvesting methods, or improved efficiency in the production of charcoal. This might be an area that would benefit from concerted support from Sweden.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment are expected to be limited, primarily because many of the intended beneficiaries are probably already involved with formal or informal production of charcoal. Getting an existing charcoal license is often primarily about securing rights to transport charcoal, rather than harvesting wood to produce it. As a result, along the chain, many producers and retailers are not registered as formal businesses. There are also several intermediaries transporting relatively small amounts of charcoal to avoid having licences. These informal producers, intermediaries and retailers do not pay taxes and royalties. This is a loss of income for the forest sector but also introduces the need for any formal business to consider carefully how to compete. Simple licence production systems would provide employment for both the license-holders and the many people involved in the transport and final sales.

Social livelihood benefits from collective action / transparency and trust / social investment are expected to be positive because of the degree to which this option will encourage the formation of a strong community business association, and perhaps consolidation with transport and retail sectors. Taking control over Simple License areas will also shift benefits in favour of communities, since at present, the 20 per cent of royalties from existing private sector operators is negligible to recipient communities. It would not even be sufficient to cover the costs of organising themselves, opening a bank account and accessing the funds to use in a meaningful way.

Environmental livelihood benefits from sustainable management / resilience adaptation are expected to be positive. Formerly charcoal production and indeed all Simple License activities were a shifting and unsustainable form of production, for which enforcement was virtually impossible. The new 30/2012 Decree establishes a larger area-based approach and longer period of operation in the same area. Together with more sensible management planning requirements, this option could help to develop models of how sustainable charcoal production could be encouraged in Mozambique. One substantial challenge is that the National Association of Small Timber Operators (AMOMA) has asked the government to give them a moratorium to continue business as usual for two years. This means delay in implementation of basic sustainable management requirements in the areas they operate in. Yet the key to transforming the predatory nature of current Simple License forest harvesting is formal and sedentary small forest producers, particularly of biomass energy. Only then will it be possible to strengthen their commitment to managing the resource base, invest in more efficient production of charcoal, and foster partnerships with transporters.

Risk assessment

Community Simple Licenses for timber or biomass energy is the second of four options prioritised for SIDA support – and we again include a risk assessment against the main actors involved, with likely effects and measures for risk mitigation.

Actors	Risk	Effects	Measures for risk mitigation

Local community members (men and women)	Continue business as usual – creaming the forest by selective harvesting to extract high value timber and biomass production without any provisions for sustainable management.	Unsustainable management and exacerbation of degradation and deforestation	Support community members in the design of management and processing requirements established in the 2012 legislation amendments on harvesting and processing
	Short time frame of Simple Licences (5 years) is inadequate as an incentive to develop management or business plans	Lack of management or business planning leads to unsustainable models	Develop a longer term view of both Simple Licence are and business and negotiate roll-over of Simple License.
	Non adoption of more efficient technologies of biomass production	Lost opportunity to reduce emissions from the production of biomass energy and continuing inefficiency gives no comparative advantage over competitors	Technology transfer on sustainable kilns need to be part of the business model
Consumers	Low purchasing power of consumers may mean that price is a defining factor rather than the origin of the charcoal	Inadequate differentiation and high competition from unsustainable competitors	Introduce kiln technologies to undercut competitors on price – and attempt to link consumers to accessible fuel saving stoves to ensure that even with comparable costs, burning efficiency can be increased in home – with added benefits such as reduced air pollution.
Donors	Short-term financial support in too few sites – so that critical mass never builds to change how charcoal is produced	Not secure establishment of sustainable management practices and efficient processing	Adequate support for ensuring good business support through its key phases of establishment, growth and consolidation with creased financial and technical support as empowerment is achieved
Existing private sector annual timber operators	Using their association to exert political pressures and/or political harnessing to maintain the status quo in unsustainable practices	Unfair price and competition with sustainable timber and charcoal	Government has to enforce the law on Simple Licences a strong advocacy programme may be needed to ensure this happens.
Government	Intimidated due to links of timber operators with other political connected individuals might water down the implementation of the otherwise strong legislation	Continued unsustainable practices, deforestation and forest degradation	Align policies and actions to climate change mitigation and adaptation vision and strategy

4.1.2 Protected area forest investment options

Option 4. Community commercial co-management of conservation areas – for example Niassa Reserve and Lake Niassa Reserve

Introduction

The current commercial involvement of local people in protected or conservation areas within Niassa is relatively limited. It is well acknowledged by both government and private sector actors, however, that community participation is paramount to the effectiveness of management of these areas. Several safari and eco-tourism operators exist, such as Mecula Mountain, Manda Wilderness, Lugenda Wildlife Reserve, Lipilichi Wildness, Monte Mosale Safaris, Safaris Majune. One option for ILCF exists in the buffer zone of Niassa Reserve, which covers 4.2 million ha and is 59 years old. The reserve has a high number of large mammals such as elephants, buffaloes, kudus and sables. In addition, there are more than 40,000 people in 50 villages within the reserve. The Lake Niassa Partial Reserve is also a 'Wetland of International Importance' under the Ramsar Convention, created in 2011 by the government, "to contribute to biodiversity conservation and resource protection in order to secure and promote sustainable use for current and future generations."

The Society for Development and Management of the Niassa Reserve – a partnership between the government and a private company – managed the area from 2000 to 2012. They implemented an integrated programme of conservation, linked to community development initiatives. Elsewhere, Manda Wilderness established a community game area, initially supported by Nkwichi lodge managers. This includes 16 communities in the area, each one with a Community Management Committee and all aggregated together under the title 'Umoja Lipilichi Wilderness'. Several international NGOs are involved in the management of Niassa Game reserve, who could be drawn on to formalise a community co-management agreement. What is needed is the development of a clearer business model by which this might work.

Degree to which local control is enhanced

Security of commercial resource rights: There is potential to develop and strengthen a co-management approach for the lake Niassa Partial Reserve. This will help to ensure better recognition of commercial community rights in conservation areas. A current example is that of Lipilichi Wilderness, which provides employment for 171 local people and has reduced poaching by 95 per cent. Another possibility is Manda Wilderness, which covers 120,000 hectares and was legalised in 2003 with financial support from Swedish Cooperative Centre (now Weeffect) and from WWF and UCA (farmers' Union). A challenge is that the management team is yet to be agreed and a formal management plan is not yet approved, so the community group still lacks two important instruments.

Strength of local business capacity: To comply with biodiversity conservation objectives in protected areas, and the fact that all have population inside and around the conservation areas who need to sustain their livelihoods, the development of enterprise capacity that contributes to biodiversity enhancement is an important option. Service providers already exist in the area. For example, Lipilichi provides local communities with capacity building programmes in entrepreneurship for the tourism market. A starting point would be to identify biodiversity-friendly enterprises, in which more people are interested, such as beekeeping. There are business models that could be drawn on. The ten-year partnership agreement between Manda Wilderness and private company Brazafrica for game hunting, for example, included an annual payment of US $15,000 to communities to recruit and pay anti-poaching teams, rehabilitate roads, build a school and support agriculture activities. An additional option – and also a challenge – will be to test how to link such businesses that conserve biodiversity with payments for carbon sequestration purposes, for example linking to the new REDD+ strategy.

Scale and efficacy of enterprise organisation: There is much to build on in the province. WWF is currently helping communities to establish and train community organisations and users groups, such as fishers' associations, to participate in co-management of conservation areas. The existing Fisheries Association with 20 members, including seven women, in Nchepa was created in 2008; the Ngoo Fishery Council of 12 members was created in 2007. These have had several years of operation and may provide important lessons on how to build sustainable associations for other co-management activities. Additionally, the existence of management committees in most protected areas in Niassa paves the way for concerted decision making about use and management of resources and benefits. A challenge in establishing effective community organisations includes the lack of the basic requirements, such as personal identification documents. In addition, for communities living inside conservation areas, land use is more strictly regulated which affects the types of enterprise associations that can be established and may reduce access to investments. At the present time, business capacity within the communities is not sufficiently strong to give some assurance for further investments and partnerships with investors.

Availability of fair investment and technology and service provision: As noted above there are significant on-going capacity building activities by WWF and other private sector actors, in engaging communities in working towards sustainable management of conservation areas. What is perhaps needed is a more explicitly business orientation to this capacity building, so that profit becomes a powerful incentive for continued sustainable management.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: These are likely to be positive, if limited in extent. The income generation objective linked to the conservation of biodiversity is certainly a high priority for government; hence the fact that MITUR manages these areas. Various private companies are already involved in exploring the potential for community businesses in protected or conservation areas throughout the country, including Niassa. Yet, at the present time, local people are employed mostly as guides and as hunting scouts and game guards. There is clearly scope for scaling up the involvement of communities in the co-management of lands that, according to the land law at least, are theirs by dint of historic occupation of these sites.

Social livelihood benefits from collective action / transparency and trust / social investment: At present, communities have to be organised to receive the 20 per cent of royalties from commercial activities in conservation areas paid to local communities. Where game hunting is involved, this constitutes a sizeable amount, having some impact on the life of local people. Community organisation in partnerships with private sector operators has significantly reduced the level of poaching. The proliferation of initiatives started by the private sector or exploring CBNRM with the involvement of NGOs, has been seen to benefit the social organisation and strength of local communities. What is required is to develop a more meaningful co-ownership arrangement of these resources, rather than a co-management arrangement, in which most of the profits go to the private sector rights-holders.

Environmental livelihood benefits from sustainable management / resilience adaptation: Undoubtedly the involvement of communities in the co-management of conservation areas is beneficial to the environment. This is especially true in areas of relatively low population pressure, such as in Niassa. Nevertheless, in more populous protected areas, such as the forest reserves of Morribane in Manica and Mecuburi in Nampula, the forests have been threatened due to pressure from agriculture and logging activities. This reduces the degree to which they can be effectively managed as protected areas.

4.1.3 Multiple use forest area investment options

Option 5. Multiple use community forest businesses

In many ways, the multiple use areas provide the most obvious areas for ILCF approaches, where population is highest and the prospects for control by locally communities greatest. There is also high potential for commercial activities that help to restore such areas through plantation. ORAM, the iTC project Millennium Challenge Account (MCA), has supported land delimitation and enterprise capacity building across the many multiple use areas that coincide with where the majority of the rural population in Mozambique live.

One example of a successful initiative is that of the Chipanje Chetu Programme (PCC). The Chipanje Chetu Programme area covers about six million ha. This CBNRM initiative was established in the 1990s to promote sustainable use practices, including dealing with poaching and fire. IUCN in collaboration with government and financial support from Ford Foundation supported the initiative over a number of years. Community enterprise development – based around users groups – was one of the activities that formed part of that support. This included beekeeping, logging and carpentry, and pioneering of community partnership with a safari company including direct payments to communities of share of revenue[48] from hunting activities.

An important lesson, however, is that the increase in value of resources also attracts the interests of political elites; for example, the partnership between a Mozambique politician and a South African company formed Lipilichi, to take over the management of Chipanje Chetu. It is important that ILCF implementation is not a stepping stone for political elites rather than the local communities.

It might be possible to build on past experience, through greater involvement of the Investment Promotion Centre (CPI), together with the Institute for Export Promotion (IPEX), which organises trade fairs. These institutions could help organise suitable expositions to bring together emerging business and potential buyers in Niassa and elsewhere.

Degree to which local control is enhanced

Security of commercial resource rights: Land delimitations conducted by iTC supported

81 communities from which 51 already possess Land Certificate (delimitation), 19 community associations have DUATs (with land demarcation) and another 55 are in the process to acquire this.

Strength of local business capacity: Capacity building of enterprise groups has been on-going within the Chipanje Chetu Programme. For example, community associations in two areas where secure tenure has been achieved were trained in business management, including the two charcoal producer associations referred to earlier (Lituezi). There is scope to further explore access to GAPI loan funds referred to above in such areas.

Scale and efficacy of enterprise organisation: CBNRM councils and committees have been established across the programme area already and in some cases interest groups have identified specific business opportunities. Some are registered as associations when their members are able to fulfil the requirements, in particular to have ID (BI). Despite gender equity featuring in some of the interventions, which included seeking equitable representation in decision-making and enterprise bodies, the challenge still remains to identify and form strong, profitable and sustainable women's enterprises around natural products from timber and non-timber forest products.

[48] A specific benefit sharing arrangement was approved by the then Provincial Governor.

Availability of fair investment and technology and service provision: Interest groups have been trained in certain technologies, but it is important to assess the technical viability of enterprises and provide the necessary skills and means to acquire appropriate equipment to harvest resources efficiently and to add value. There is a need for joint value chain analysis to explore how to overcome bottlenecks in existing businesses. Business development partnerships may also be necessary between community groups and NGOs to pursue product development of high value natural products for cosmetic and pharmaceutical industries building on indigenous knowledge. At the moment challenges include the literacy of community groups and their concurrent capacity to operate the technologies that have been introduced. Another challenge is that cultural issues might prevent women from engaging in high value enterprises.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: These are likely to be positive and previous work has already shown economic benefit to commercial community groups. In these areas, there are nevertheless many economic activities taking place already, including employment from non-forest related activities; it is important that a baseline be established against which to measure progress.

Social livelihood benefits from collective action / transparency and trust / social investment: Likely to be positive because business oriented organisations within the community will help to showcase the potential of collective action and the economic benefits it can bring.

Environmental livelihood benefits from sustainable management / resilience adaptation: In these multiple use areas the threats of deforestation and forest degradation, for example from agriculture or uncontrolled fire, are very high. Especially where commercial options are developed, based around natural resource management, there are additional risks and potential conflicts that need to be factored into any value chain analysis and subsequent interventions.

4.2 Plantation forest options for ILCF in Niassa

Businesses based on plantation forest resources are a second major area of potential investment that we explore. The Government of Mozambique has approved the National Action Plan for Reforestation of the country. This stipulates the need for stimulating three types of plantations, for:

- **Industrial purposes including timber and pulp and paper production**. At present these are principally the domain of largescale companies, of which there are six operating in Niassa: IFLOMA – the oldest industry in Manica and Portucel a more recent investor with over 200,000 ha in Manica and Zambezia.
- **Biomass energy**. These have historically been established centrally around major cities without much success but are also open to communities and small-scale businesses.
- **Conservation**. These are open to both large-scale and smaller operators including communities.

In the tables and sections that follow these introductory paragraphs, we again evaluate options for investing in locally controlled forestry (ILCF) for each of these three major categories of plantation.

Niassa and Manica are two provinces with the highest potential for large-scale industrial plantations in the country, both in terms of soils and in terms of a cool climate, which favours exotic species such as

eucalyptus and pine. The government believes that forest plantations represent a great opportunity to launch Niassa's economy as an engine of growth: employment creation; generating tax revenue – despite the many fiscal incentives and exemptions that benefit investments in special development areas; and promoting the development of infrastructure. The establishment of a plantation industry will also create demand for several local businesses providing services for the forest sector and other investment.

The work of the government through the Malonda Foundation has raised the profile of Niassa as a destination for large forestry plantation projects over the last eight years. A total of six forest companies, representing several investor groups from Germany, Finland, Britain, Sweden, Norway, and South Africa have already been working in Niassa since 2005 (for example, Chikweti Forest of Niassa, New Forest of Niassa, Florestas do Niassa, Floresta do Planalto (UPM), Companhia Florestal de Massangulo and Green Resources). These six companies have to date planted over 31,000 hectares of forest and invested about US$ 70,281,349.99. This has directly created around 3,000 jobs in Lago, Lichinga (Chimbonila), Majune, Mandimba, Muembe, Ngauma and Sanga districts.

During the field work for this assignment, the team had meetings with government representatives from four districts, community representatives and organisations, several NGOs and representatives of four out of the six forest plantations companies. All agreed that conflicts and land disputes between forest companies and communities had been a substantial issue but also that these conflicts had reduced significantly. Nevertheless, there was still felt to be a lot of uncertainty about land allocation processes for plantation use. Chikweti asserted that all they need is two per cent of the province, that is, 258,000 ha allocated as quickly as possible to be able to establish plantations. UPM asserted that its company would require 150,000 ha of planted land – a further one per cent of the Province's territory. Delays in approval of DUATs were a big issue for the companies. There is also, however, the issue of reaching some mutual understanding with communities and this affects the costs of establishment as well as creating uncertainty. This in turn affects the level of commitment to investment by current and prospective shareholders.

Conflicts between plantation companies and communities seem to result, essentially, from poor or unfair consultation processes. Communities claim that they did not understand what they were consenting to in terms of land being adjudicated to the private sector. Companies claim that weak land management allocation processes and law enforcement systems are to blame. To mitigate conflicts and strengthen relations with communities, the companies are investing in social infrastructure, such as schools and clean water; establishing community woodlots; and promoting and assisting communities to grow cash crops such as soya (Green Resources has started such demonstration initiatives). But few of these options go as far as contemplating business partnerships – and certainly not joint ventures.

Referring to the cases of Ngongoti and Nzizi communities, the Permanent Secretary of Sanga indicated that there are 'conflicts within communities about the land for large scale forest plantations. These arise when some members of a community that has accepted to give away land to an investor receives cash while neighbouring communities do not. This triggers arguments over boundaries in order to claim the cash benefits.'

National and international organisations are trying to prioritise support for community land delimitations and demarcations where existing or potential conflicts or land disputes might occur. For instance under iTC and Millennium Challenge Account (MCA) working with several service providers supported 81 communities in the process of formalisation of land rights. Of these, 51 now possess a Land Certificate, and 19 community associations have DUATs. Community associations are also trained in designing businesses including charcoal producers associations.

At the present time, the majority[49] of the companies are not considering outgrower schemes, given the high cost of dealing with dispersed communities. Any business partnership approach or business model must be based on security and trust, which at the present time are in rather short supply. The only alternative business option for local people, therefore, seems to be to start their own businesses. Indeed, the Forestry and Wildlife Department in Niassa has allocated some former government plantations around Lichinga to local small timber operators.

Nevertheless, despite the reluctance of some industries to pursue outgrower schemes, others in the industry recognise that around the main infrastructure corridors of Lichinga and Sanga, forest land is almost all degraded, and almost all subject to claim by some communities. More enlightened business managers are therefore interested in the establishment of durable partnerships with communities that involve restoration, through plantation, of community lands that could then be used to supply the established plantation companies.

[49] Except Green Resources which has started a programme for establishing 1000 ha of plantation that involve local communities and farmers.

Table 5. Options for ILCF in plantation forests in Niassa, Mozambique

Case typology				Degree to which local control is enhanced				Forest business related livelihood impacts		
	Main landscape types	Sub-sectoral enterprise options	Case examples from Niassa province	Security of locally controlled commercial resource rights	Strength of locally controlled business capacity	Scale and efficacy of locally controlled enterprise organisation	Availability of fair and locally controlled investment, technology and service provision	Economic livelihood benefits from: (i) ownership (ii) partnership or (iii) employment	Social livelihood benefits from: (i) collective action / association (ii) transparency / trust (iii) social investment	Environmental livelihood benefits from: (i) sustainable management / mitigation (ii) resilience / adaptation
6	Plantations	Commercial timber	Option 6. Smallholder owned plantation supply companies / joint ventures	Medium – unlikely to curb the large-scale appropriation of land by large companies	High – huge effort / partnerships needed to develop capacity but potentially worth it	High – would require considerable organisation to make it work	Low – Likely Resistance to building capacity of community companies by large players	Positive – with benefits from both ownership and employment	Positive – through commercial association that might offer other social benefits	Limited – natural forests still replaced by plantation although possible carbon benefits
7			Option 7. Large-scale plantation company CSR	Low – strongly antithetical to security of local commercial rights	Medium – slight possibility of CSR linked to business support for communities	Low – large companies unlikely to foster organised labour or other groups	Medium – CSR could potentially include support for local businesses	Limited – some prospects for employment and business partnership	Negative – organised associations likely to be discouraged	Limited – natural forests replaced by plantations
8		Biomass energy	Option 8. Community biomass energy (charcoal / fuel wood) enterprises	High – provides a sustainable commercial rationale for land delimitation	High – already known value chain that can be enhanced / upgraded	High – might involve vertical integration-plantation, processing and retail	Medium – may need to bring in specific biomass energy expertise	Positive – with benefits from ownership, employment in both plantation / processing and retail	Positive – structured business that requires organisation / trust and investment	Positive – replacing degrading use of natural forests and alternative fossil fuels

9	Conservation	Option 9. Community conservation areas with a commercial outcome	Medium – lacks the strong commercial dimension of other options	Medium – difficult to see strong business opportunities	High – mobilise around conservation with a business angle	Medium – some of the options (e.g. REDD+) require specialist inputs	Limited – difficult to combine conservation and business	Positive – benefits from mobilising around conservation and also for business	Positive – this is the core aim of such plantations – environmental restoration

4.2.1 Timber plantation investment options

Option 6. Smallholder owned plantation supply companies / joint ventures

Introduction

The government is opening up and transferring mature forest plantations in Niassa for small forest enterprise development including to local community associations. In other provinces, such as Manica, there has been a long tradition of tree planting by Manica Forest Industry (IFLOMA) since the late 1970s and there are some long-term skillsets in plantation management also existing in Niassa. The plantation has an industry associated with it and has been supplying the market in Mozambique and export with timber for exotic, fast-growing species such as Pines and Eucalyptus. Should the government link the transfer of ownership of plantation to technical extension and support for those emerging small forest enterprises, it may be possible to develop smallholder-owned plantation supply companies – either with stand-alone regional markets or with purchase agreements with larger plantation companies.

Degree to which local control is enhanced

Security of commercial resource rights: Acquiring community rights to harvest former public plantations in Niassa might provide an opportunity for communities to establish their own business and secure their own resources. Different ownership models need to be explored, regarding exactly who owns these new companies and under what business model they are constituted. In Manica, for example, after many years of experience in tree planting, IFLOMA is supporting local entrepreneurs to establish plantations and supply timber to the company. Elsewhere in South Africa, such outgrower schemes have proved to be one possible route towards the development of locally controlled forest businesses. This option can contribute to securing commercial forest rights for communities, beyond the transfer of established government plantations or the gradual establishment of smallholder plantations, as skills from working in the larger plantation industries spread through the work force. This is a pattern that has been seen in South Africa.

Strength of local business capacity: Significant potential exists by dint of the presence of the six large companies in Niassa, if only the technical skills required for plantation establishment and management can be transferred to locally controlled businesses. There is a question of will here but there is also a capacity gap that is real and substantial. One of the real challenges for this type of business is that the margins are very tight, and technology management at scale for efficient and timely delivery is critical. This is something that is often beyond the capability of local operators, especially while those skillsets are still embryonic. In addition, if the locally controlled business were to supply larger companies, the outgrowers' enterprises would need to be contiguous in order to reduce transaction costs for the companies. There would have to be better land use planning and zoning, based on understanding of the land potential and the needs of the industry. Full operation of industries has the potential to steer development of small and medium enterprises in various sectors.

Box 1. The case of IFLOMA in supporting local industrial plantation, Manica province

About six years ago, IFLOMA formed a partnership with five local service providers (Magura, Marina, Chihururu, NORMOF and Tome), to establish smaller and complementary plantations in Rotanda, Penhalonga and Bandula. Four of the service providers are working on silvicultural activities – land preparation and weed control – and one is involved on harvesting and transporting. The service providers work with local communities. This approach has significantly reduced the conflicts between communities and companies; it scales up the activities and creates more jobs. IFLOMA provided initial and periodical training in different aspects of plantations, including control of pests and diseases, as well as financial and business management, to ensure good quality crops and profitable and sustainable investment.

One of the service providers, Chihururu, for instance, has already acquired its own equipment, including providing transport facilities for workers. NORMOF has been able to access credit from commercial banks to purchase tracks, tractors and other harvesting equipment using the contract with IFLOMA as guarantee or collateral.

Scale and efficacy of enterprise organisation: This would be critical to the success of any locally controlled plantation enterprise. The margins on this type of business require efficient operations that can only be achieved by well-managed organisation. There are five ways to increase the profit margin: expand the area of plantation forest managed and therefore reduce fixed costs; through association; reduce input costs through better planting stock or reduced loan repayment rates, for example, through a shared revolving loan fund; increase the price of timber through negotiation, as bigger groups have more market power; pursue grant funding, which is easier for registered associations; pursue downstream integration to take a share of value added processing, which again requires a scale of operation. None of these is easy and all of them require better organisation.

Availability of fair investment and technology and service provision: One of the challenges here is that the required technical skillset for plantation management does not usually reside in NGOs but rather in the large-scale plantation companies operating in Niassa. Past experience shows that technical support is usually required in areas such as pre-harvest planning and road upgrading; management of small-scale harvesting contractors; post-harvesting coppice management, for eucalypts; basic business skills, especially to do with accounting and marketing; and compliance with any certification standards. It is not inconceivable that the majority of the large-scale companies might be open to some negotiated deal that ran training and business capacity courses for local people in return for their license to operate. But this would need to be investigated further.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: The economic livelihood benefits from this option for ILCF would likely be positive but only in so far as the plantation business run by local smallholder proved profitable. As noted above, there are substantial capacity building needs to establish anything resembling a competitive smallholder plantation sector in remote Niassa. It would require a concerted partnership between government, large-scale plantation companies and NGO support institutions.

Social livelihood benefits from collective action / transparency and trust / social investment: If this option was to be pursued, it might indeed bring substantial positive social benefits. These would not only be within the communities, for whom business organisation would need to be fairly advanced

if such businesses were to be profitable, but also the increased trust that would need to emerge between locally controlled forest enterprises and the large-scale plantation companies.

Environmental livelihood benefits from sustainable management / resilience adaptation: Limited environmental benefits would emerge through this option. Even if locally controlled forestry businesses established highly sustainable forest plantations, which might have positive carbon sequestration benefits, the nature of the plantation industry is that it does little for biodiversity conservation and often involves a replacement of native forest for plantation monocultures.

Risk assessment

As the third of four options prioritised for future SIDA support, we have conducted a risk assessment with possible negative effects and measures to mitigate them.

Actors	Risk	Effects	Measures for risk mitigation
Local community members (men and women)	Continue reliance on the terms and conditions offered by the larger companies in terms of plant species, out-grower schemes or other forms of engagement.	Impact on livelihoods might still be limited to low paid jobs or low prices for community products	Freedom to contract with the company that they want Availability of provincial and district support technical and legal assistance, at the time of preparation of contracts as well as to monitor and follow the progress of joint ventures Support and monitoring at local, provincial and district level: a) technical areas (research); b) social (gender) and c) cultural Availability of information from research about the different options in terms of variety of species with multiple uses and multiple functions; translation of research results to be accessible at all levels, national, regional, provincial and local and international / regional) Assessment of land use potential and plan is essential for establishing plantations where they are more likely to generate positive environmental and economic benefits
	Adverse external factors such as extreme climate events, pest and disease outbreaks, or social conflicts that	Early failures resulting in break-down of trust between large buyers and community	Risk sharing by two parties with agreed approach to failures due to extreme events or other unpredictable factors

	might damage long term crops in new plantation schemes. Monoculture plantation by smallholder might replace natural woodlands / food production. Negative environmental impact (soil degradation, water uptake).	producers Limited biodiversity benefits of plantations and potential threat to food security Plantation productivity declines over time and potentially results in land use conflict over water supply	Ensure environmentally sound planting methods that include protected areas, riverine buffers, and appropriate integration with food production areas. Careful site selection and management practices (such as leaving leaf matter) to ensure minimal impacts on soil and key water resources.
Consumers	Low purchasing power and negative perception of fast growing species leads to problems (e.g. setting of fires)	Low demand from national market plus potential problems in plantation themselves	Positive PR work on the livelihood benefits of commercial timber productions and marketing work to develop national markets at reasonable prices.
Other timber production companies	Low price paid by large companies to smallholder growers.	Low incentive to expand model.	Contract with guarantee on fair benefits for small farmers; agreement with Insurance companies to cover disaster risks
Government	Low priority given to plantation forestry by smallholders	Neglect of the potential for rehabilitation of degraded areas and establishing small scale plantation to supply alternative sources of biomass energy and timber for construction and industry	Government support mechanism should be established to deliver on the reforestation strategy for community forest plantations for timber, biomass energy and conservation

Option 7. Large-scale plantation company corporate social responsibility (CSR)

Introduction

Six companies are working towards establishment of a large industry, including a processing plant within Niassa Province (Chikweti Forest of Niassa, New Forest of Niassa, Florestas do Niassa, Floresta do Planalto (UPM), Companhia Florestal de Massangulo and Green Resources). In the recent past, the government has been petitioned by companies with applications for land for industrial plantations in over a million hectares has been requested nationwide and with particularly large areas in Niassa, Zambezia (nearly 500,000ha), Manica (more than 200,000 ha) and Nampula.

In Niassa, the actual total authorised, or soon to be authorised, land for plantation amounts to 120,617 ha. This is, however, only a portion of the private sector ambition of about 600,000 ha for

plantation within the province. As a routine part of the process of acquiring such land, companies consult with communities over the transfer of DUAT. A history of conflict through this process means the companies are usually already engaged in some form of corporate social responsibility (CSR). This option considers whether more might be done toward ILCF through such CSR approaches.

Degree to which local control is enhanced

Security of commercial resource rights: Large-scale industrial plantations are not about security of tenure for local people in Niassa. Yet the issue of tenure does need to be addressed because even from the perspective of plantation companies, potential conflicts over land tenure represent a huge risk for the establishment and running of these large investments, and for associated businesses in Niassa. Ineffective consultations and scanty information given to communities about the scale of investment can and do lead to problems down the line. Often, this is only realised when the land is cleared and plantations are established; examples can be found in both Niassa and Nampula. It might be possible to explore ways for plantation companies to contribute finances for the delimitation of community land outside the direct area of plantation, as part of an agreement for the transfer of DUAT to them in specified plantation areas. This is possible but might be difficult to engineer in practice. A more viable option would be for the companies to place less emphasis on owning all land in the area of plantations. For example, they could explore joint venture on land owned by local communities. These would contribute their land as a share in the large-scale plantation business and benefit from a share of the resulting net benefits. Legally binding contracts would need to be drawn up, as well as establishing mechanisms for transparent management of financial resources related to those resources. A strong monitoring process would also need to be in place to instil building of trust and measurement of progress.

Strength of local business capacity: The purpose of corporate social responsibility from large-scale plantation companies is not generally about building strong local enterprises. To date, large-scale private sector players have not contemplated support to the establishment of tree growing by locally controlled small enterprises. They prefer instead to undertake social projects, such as the establishment of schools; infrastructure development, such as roads; and so on. There is a limited possibility that these large-scale plantation companies might actually help local communities to establish their own businesses. This could perhaps be in agriculture, for example, in the case of Green Resources supporting soy production; or potentially new areas in agro-forestry, NTFPs or equivalents. As noted above for concession holders in natural forests, there might be ways of partnering with concessionaires, in terms of transport, finance or business training and so on, to develop some other business options at community level. Looking at joint venture based on shared land ownership, as outlined above, can potentially change the investment landscape and collaboration between large and small businesses.

Scale and efficacy of enterprise organisation: The plantation industry is not geared up to build strong local institutions. They may in fact be hostile to formalisation of labour organisations that would increase costs of basic labour. Nevertheless, there may be ways in which partnership agreements with communities around business ideas could help those communities to increase profits through corporate social responsibility, including cash payments as a way to improve local buy-in to the companies plantation business.

Availability of fair investment and technology and service provision: Plantation companies are not set up to transfer technologies to locally controlled enterprises. Investment in plantation, pulp and paper industries is likely, however, to require service industries, and if the right partnerships could be built, some form of training and service provision for locally controlled enterprises.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: These options are principally restricted to low paid employment, unless a more innovative approach to corporate social responsibility is explored. There may be some form of payment to local communities through CSR. In the longer term, tax on company income might contribute to boosting the provincial and national GDP. This depends a lot on the package of incentives and tax breaks agreed between the government and companies, however, and the level of service provision of government to those local communities. The prospects and scale of benefits are not substantial.

Social livelihood benefits from collective action / transparency and trust / social investment: Some benefits are now being paid to communities as part of the necessary trust building, to avoid overt conflict. Some companies have gone a stage further and have helped to invest in cash crop development for local communities, such as soy by companies like Green Resources. Several companies have also adopted payments on an area-based format, as compensation for not putting fires into forest plantations.

Environmental livelihood benefits from sustainable management / resilience adaptation: There are limited environmental benefits from this option other than the improved carbon balance – net gain of carbon stocks for fast growing species – vis à vis the stocks without plantations. But an accurate assessment of these benefits is yet to be made. Monocultures are usually associated with land degradation in the long run and with a loss of biodiversity. If plantations are established in marginal lands in terms of soil productivity and water stress, however, they can contribute to making land productive that would not otherwise be so. Land use planning is therefore a key element in that process.

4.2.2 Biomass energy plantation options

Option 8. Community biomass energy (charcoal / fuel wood) plantation enterprises

Introduction

In the late 1970s, the country embarked in tree planting in the so-called ‘FO’ projects around major urban centres of Maputo, Beira and Nampula, to address the demand for biomass energy and pressure on the natural forests around these urban centres. These projects failed, essentially because mainly Eucalyptus species were selected and planted, and the projects gave inadequate consideration to competition from established informal wood and charcoal suppliers. The local people did not like to use the wood. Smoke was cited as one of the major difficulties for the consumers to adopt this energy source. In our field work, there was no evidence of community tree plantation for this purpose, except very small plots of one hectare, planted by communities in Sanga with support from Green Resources. Nevertheless, this ILCF investment option we consider to have high potential, given the growing demand for biomass energy in the urban areas of Niassa, but also in the major centres such as Maputo, Beira and Nampula, whose surrounding greenbelt has been depleted.

In terms of key government strategies, including the new national REDD+ strategy, it is necessary to reduce the impact of biomass consumption on deforestation and forest degradation and subsequent emissions. Biomass has often been treated as a pariah sector, on account of the threat to the forest from unmanaged extraction. Nevertheless, there are substantial advantages to biomass energy in developing countries, if a way can be found to establish a sustainable management regime. Managed biomass plantations might be the best option. One tactic might be to focus on charcoal from such plantations. This would link permit allocation to subsidised investment in more efficient brick kiln installation for those licensed operators, which can more than double the volume of charcoal per unit of wood. Such processing efficiencies would help those sustainable producers outcompete the vendors of charcoal from unmanaged natural forest, which is usually cheaper precisely because those vendors do not incur management costs. The potential for production of electricity from wood biomass

might also be explored; this would be an additional impetus to growing investments in other areas of economic activity including agro-processing.

Degree to which local control is enhanced

Security of commercial resource rights: This ILCF option has a high potential to provide a commercial rationale to help local communities secure commercial control over their resources, tackling a pervasive threat to forest cover at the same time. Biomass energy is already an established commercial option for communities, unlike the concession or plantation timber options above. There is a substantial body of established land rights on which this plantation option might be developed. For example, in Niassa, 81 communities have been supported through iTC/MCA. Country-wide, there are several communities controlling over seven million hectares of land, some of which can potentially be planted with native and exotic species. There is development of micro-zoning and business plans accompanying the process of acquisition of land rights. These pave the way for identifying land use according to potential and local objectives. The process can be used to identify degraded areas, where restoration through biomass energy plantations can be promoted and undertaken.

Strength of local business capacity: Training is necessary for local entrepreneurs who might want to be involved in tree planting for biomass. There are some significant economic questions to be resolved in order to turn this potential into profitable and sustainable businesses. The key to this likely resides in the processing of the charcoal efficiently; and potentially with marketing. Training in appropriate technologies, business management, leadership, accounting and accountability, marketing, credit management and so on, are key to ensuring that the necessary skills are transferred so that local entrepreneurs can become more acquainted with technically and financially viable investment.

Scale and efficacy of enterprise organisation: In the process of land registration, community and enterprise associations, and often created associations, were trained in business. This included two charcoal producers' associations. These product-specific commercial associations can provide a firm foundation for higher-level forms of organisation, such as regional or national federations that can help push for more enabling legislation and fiscal regimes.

Availability of fair investment and technology and service provision: There is a need to ensure that biomass energy business skills are developed. This may require bringing in dedicated technical experts in this area from other countries. It is not enough to promote tree planting of good calorific value tree species. Extension support is also needed in the processing and packaging of biomass energy, including exploring the potential for producing electricity with biomass energy from planted forests, which now routinely happens in northern producer countries.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: Biomass energy plantations can provide positive economic benefits, such as employment to a wide range of community members, including youth and women, plus the benefits of business ownership. There will be direct benefits from income generated through both the plantations and processing of biomass energy, including the supply of seedlings and the packing, transport and retail of final product. One challenge is the long time needed for growing trees to maturity, which might affect communities negatively if no steady income can be secured from elsewhere. An option for this would be to begin the business using a steady and sustainable off take of natural biomass during the period until thinnings and ultimately mature trees can replace the stock of natural resource.

Social livelihood benefits from collective action / transparency and trust / social investment: Large positive benefits for local people may come, not only from owning a viable enterprise for a product with a likely demand for many years to come, but also from the integration of various stages within a productive association, growing seedlings, managing the plantation, harvesting, processing, packaging and retail.

Environmental livelihood benefits from sustainable management / resilience adaptation: By developing biomass energy plantations, there is likely to be reduced pressure on the natural forest resource, leading to conservation of natural forests and avoided deforestation, contributing to maintenance or enhancement of carbon stocks.

Risk assessment

This is the fourth highly recommended option for SIDA support and we include a brief risk assessment including likely effects and measures for risk mitigation.

Actors	Risk	Effects	Measures for risk mitigation
Local community members (men and women)	Low technical and financial means to establish technological improvements for efficient production of biomass energy.	Continued inefficient production that cannot compete with unmanaged or illegal harvesting from natural woodlands	Ensure information from the available research (at all levels, national, regional, provincial; and international[50] / regional) about the different options in terms of processing options – and invest in several pilot kiln projects to build know-how;
	Failure to control poaching of timber from biomass plantation	Loss of biomass material and increasing costs of production undermine sustainability	Create strong business organisation with duties to patrol biomass plantation – encourage strong participation by local community to prevent poaching.
Consumers	Consumer preferences for particular species used in charcoal production	Preference for charcoal harvested from natural woodlands	Rigorous early screening of desirable species for plantation establishment (including options for restoration of natural woodland)
	Price still remains the main driver of consumer choice	Strong competition from conventional producers	Make sure new kiln technologies are well run and give efficiencies that allow sustainable producers to outcompete conventional producers on price
Other charcoal producers	Strong vested interests lead to interference / conflict with new sustainable charcoal producer group	Potential damage to plantation or social conflict	Include as many of these producers in the design phase as possible – ensure plans are broadly discussed and widely owned.
Government	Inadequate transition planning – biomass plantations take time to grown and in the interim there is need to source biomass from existing stocks which may not be accepted by government	Political interference with on-going harvesting prior to the maturation of the plantation.	Strong government buy-in for a transition from unmanaged to managed biomass production.
	Vested interest in existing	Resistance to approval	Ensure strong government backing early on – and explore

[50] International organizations such as FAO; CIFOR ;IIED;IDAF; WWF; IUCN; Birdlife; FFI……

	commercial charcoal production	of plantation	procurement policy / deals with urban suppliers.

4.2.3 Conservation plantation options

Option 9. Community conservation areas with a commercial outcome

Introduction

The idea behind plantation for conservation is that of forest restoration. There was no evidence of tree planting for this purpose in the sites visited during the field mission. In some other provinces there are clearer cases to be found. For example, ADEL in Sofala has been supporting communities in participating in the restoration of degraded mangroves; an important ecosystem, not only for its timber but also for fisheries resources. There are also initiatives aimed at restoring pristine environments, such as Gorongoza Mountain in Sofala, which plays a key role in the water catchment. Native species are planted for both purposes. Along the coast and erosion prone areas, such as in Gaza, Tete and Nampula, there have also been efforts to promote tree planting for conservation; that is, restoration and rehabilitation of degraded lands, maintenance of dunes and others purposes.

In Niassa, where the forests are more intact, the need for this type of conservation planting has perhaps been less apparent. Nevertheless, the tree planting exercises undertaken in the context of one community one forest – the Presidential directive – have taken place in Niassa in some communities. Our impression is that not all such activities are well designed or organised, however, for example, planting the wrong species in the wrong environment. There is potential for using the impetus brought by these, however, to create communal planted gardens. Some of these can play a role in conservation of ecosystems such as maintenance of river banks.

Degree to which local control is enhanced

Security of commercial resource rights: There is obviously some good will to be gained when communities restore degraded areas. This could form part of a strategy of capitalising on existing registered land tenure and zoning exercises, to identify areas for this type of plantation. Careful selection of tree species can allow production of timber and non-timber products from these lands and also plantation of trees that restore land productivity for agriculture can contribute concomitantly to economic benefits and conservation. Benefits are also clear in mangrove areas, where reforestation can provide the habitat for lucrative fishing opportunities. There are also options involving the development of sustainable off-take activities from such restored forests – honey, fruit and other NTFPs, watershed management and restoration. These options can be particularly beneficial in sustainable land management in arid and semi-arid zones for example, found elsewhere in the country.

Strength of local business capacity: As noted above, the central issue here would be to identify a business case for these types of plantations. For example, where tree planting might contribute to maintenance of important water catchment, payment for ecosystems services might be explored. Alternatively, tree planting might enhance the production of a preferred NTFP, including honey, or potentially enrich wildlife or ecotourism opportunities. A viability study for such an undertaking is important, to establish the sources of payment and sustainability of compensation to local communities. It may be worth exploring links with REDD+, in order to establish financial benefits of tree planting for conservation as one of a number of possible REDD+ investment packages – that is, emission reducing activity.

Scale and efficacy of enterprise organisation: It has proven possible in many provinces to use conservation as a platform to establish community organisations, in order to establish strong and accountable entities overseeing conservation. It should be possible to add some commercial objectives to such organisations mandates, which will only strengthen the glue that holds them together.

Availability of fair investment and technology and service provision: There will be a need, as in other plantation options, to give some training in tree species choice and planting, and adequate maintenance of trees, especially because most areas that need rehabilitation are also water stressed. This sort of expertise is widespread. Nevertheless, the more challenging skillsets of developing business, particularly relating to carbon sequestration (through REDD+), conservation tourism or even simple NTFP businesses, may need further support.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: There may be some potential economic benefits from the simple act of conservation, such as avoided erosion, maintenance of watershed services, enhancement of carbon sequestration, restoration of soil productivity. But any direct economic benefits from ownership or employment will have to be developed through a business model which will need further exploration and will be highly dependent on context and proximity to markets.

Social livelihood benefits from collective action / transparency and trust / social investment: There are likely to be strong positive benefits from engaging in collective conservation activities, especially if these can be used to generate income for the community. There are many examples of community managed conservation that have provided such financial returns but each case has to be worked out based on an individual detailed analysis of options.

Environmental livelihood benefits from sustainable management / resilience adaptation: Conservation is the main aim of this type of plantation, so it is to be expected that there would be positive environmental benefits. This might include potentially high gains in terms of carbon stocks and species diversity where mixing species can be promoted.

4.3 Agroforestry options for ILCF in Niassa

Business based on agroforestry resources is the third and final area of potential investment that we explore in this report. Agroforestry techniques are one important way in which conventional agricultural yields might be improved without the need for external chemical inputs. Within Mozambique, agricultural production is still primarily low input and rain-fed, with the main crops being in:

- Mandinmba: maize, cassava, sorghum, beans and rice;
- Mwemebe: maize, beans, potatoes and cassava;
- Majune: maize, beans, sorghum, cassava and rice, cotton, soy, tobacco, seasame, macadamia nuts.

Beans, rice, potatoes, cotton, tobacco, macadamia, sesame, and more recently soy, are all important cash crops. For some of these crops, improved seeds are available; for example, for maize, sorghum, rice, beans, cassava, tobacco and cotton.

One of the issues faced in Niassa and elsewhere in Mozambique, is that there is little value addition for most agriculture products. Only primary processing is done and most of this is conducted manually. Some agro-processing of soy into milk and yogurt has started but this is still at a small scale. Agriculture extension country wide is still limited, in terms of having sufficient personnel to cover the technical assistance needs in agriculture production.

According to the National Directorate Extension Service, at both national and provincial level, agroforestry systems are still high on the agenda of the recently adopted unified and integrated (agriculture and forestry) extension service approach. However, our field mission encountered no evidence of a concerted effort to implement agroforestry systems in Niassa province, besides relatively small scale initiatives of conservation agriculture and intercropping of cereals with pigeon pea.

The Provincial Extension Service of Niassa indicates that there are only 95 extension officers, including 12 women. They assist 730 farmers' associations, with more than 30,000 farmers, including 13,000 women. The focus of the public extension service is to assist farmers and farmers' associations to improve agriculture crop production and productivity. The extension officers also lack regular training and exposure on emerging production systems and technological advances. In addition to the public extension service, there are about 55 extension officers from private companies, promoting and assisting more than 39,000 farmers on cash crop production, such as tobacco, soya, cotton and sesame.

Beyond the limitations in staffing, there is also limited availability of credit facilities for improving production and processing. The Mozambique Association for Rural Development (AMODER), for example, allocates most of its credit to trade rather than production. Working closely with Malonda Foundation, AMODER is a microfinance institution, created initially exclusively to promote grain trading, due to it being seen as a low risk activity and offering an almost 100 per cent return. There are three lines of credits nominally: small (from 5,000 to 50,000.00 Mt, payable in four months, at an interest rate of 5.5 per cent); medium (from 50,000 to 75,000.00 Mt, payable in six months at an interest rate of five per cent); and macro credit (over 75,000.00 Mt, payable in seven months at an interest rate of five per cent). This credit is clearly not for supporting production and processing capacities, which are equally important for long-term development, including the market. In addition, the decentralised financing initiative by the government follows a similar pattern. For example, in Mandimba District, the total amount allocated in 2012 was 13,500,500.00 Mt; 23.6 per cent of this amount was allocated to 90 women's projects. The majority of projects submitted and financed were for grain traders and small shops.

The national level Agrarian Development Fund (FDA) raises funds from royalties paid on various agriculture and forest-related activities. It seeks to promote access to credit for small-scale producers and entrepreneurs in the agriculture sector. The credit lines for this group of beneficiaries are:

- Credit to support agriculture, livestock and forest producers, with annual interest rate of ten per cent.
- Agro-forestry credit launched in 2012 to support acquisition and planting forest and fruit seedlings, with annual interest rate of between eight and ten per cent.

Even though the forest sector contributes significantly to FDA, the allocation of funds to forestry projects is relatively negligible.

Aside from credit lines, the FDA is also managing and allocating the 20 per cent of revenues from royalties devolved to communities, according to the 2002 Forest and Wildlife legislation. From 2006 to 2012, communities in Niassa received a total of 4,977,315.25 Mt (about US $172,000). According to government officials, beneficiary communities are using this money to build schools and clinics, instead of financing local business initiatives.

Table 6. Options for ILCF in agroforestry areas in Niassa, Mozambique

Case typology				Degree to which local control is enhanced				Forest business related livelihood impacts		
	Main landscape types	Sub-sectoral enterprise options	Case examples from Niassa province	Security of locally controlled commercial resource rights	Strength of locally controlled business capacity	Scale and efficacy of locally controlled enterprise organisation	Availability of fair and locally controlled investment, technology and service provision	Economic livelihood benefits from: (i) ownership (ii) partnership or (iii) employment	Social livelihood benefits from: (i) collective action / association (ii) transparency / trust (iii) social investment	Environmental livelihood benefits from: (i) sustainable management / mitigation (ii) resilience / adaptation
10	Agroforests	Tree crops on farm (4Fs – food, fuel, fibre and forests)	Option 10. Community tree crops on agricultural land	High – long-term crops adjacent to crop fields strengthens processes of land delimitation and rights	High – builds on project experience of tree crop farm enterprise development	Medium – would depend on finding a suitable tree-crop about which to group producers	Medium – considerable experience to build on but links need to be re-engaged	Positive – strong potential to diversify and increase income from business ownership and employment	Limited – quite a long road towards collective action on longer term tree crops	Positive – diversifying tree species on farm and increasing resilience / sequestering carbon at the same time
11		Fertiliser trees supporting agricultural crops	Option 11. Fertiliser trees in support of conventional crops	Medium – long-term crops add strength to existing processes of land delimitation and rights	Medium – more difficult to see emergence of enterprises based on normal crops	High – could build on existing strong farmer associations	Medium – specific inputs on design of agroforestry systems in short supply	Limited – some additional benefit to conventional farming through reduced inputs or increased outputs or diversified crop production	Positive – useful opportunity to strengthen existing farmer associations	Positive – diversifying species on farm and strengthening ecological resilience / carbon sequestration

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Option 10. Community tree-crops on agricultural land

Introduction

Agroforestry systems and other technology transfers have been attempted by several organisations. This occurred particularly in the 1980s, when the World Agroforestry Centre and networks of researchers and practitioners researched and disseminated technologies, to counter the low and reducing agriculture productivity in small-scale farms. In Niassa, however, it would be necessary to undertake careful analysis of which tree crops could be introduced into which agro-ecological zones, taking into account cultural and social aspects that might affect their adoption.

Our initial analysis suggests that it might be possible to build business opportunities by introducing tree crops for the production of high value fruits, for example, Uapaca Kirkiana, which grows in the area, or baobab trees in the drier areas of Gaza, Inhambane, Tete and some districts in Manica and Sofala. An alternative might be the production of biomass energy from sloping areas or other areas unsuited to primary cropping. This latter example would have much in common with option eight on community biomass energy plantations. Initial work would focus on ensuring that different groups (men, youth and women) select and plant trees that can produce the raw material that the group is most interested in processing and adding value to.

Degree to which local control is enhanced

Security of commercial resource rights: Farmland has a different status to the land categories described above and national land legislation recognises the right of occupancy by farmers. Neighbours and local leaders can testify in favour of rights-holders, in case of conflict or when registering the land. The legislation also provides for securing collective rights to land. This might be necessary for establishing community woodlots, if community groups wanted to act collectively. A challenge faced is that concurrent validity of positive law and customary rights often contribute to undermining women's rights to land, especially when using land for commercial tree planting. Therefore, it is important to support agriculture land registration for women in the rural areas and suburban areas.

Strength of local business capacity: Business capacity in this area is very weak. Communities can be exposed to experience, however, such as the harvesting and processing of baobab by MICAIA in Manica and Tete provinces. AGRIFUTURO, a programme of USAID aiming to increase Mozambique's private sector competitiveness by strengthening targeted agricultural value chains, has been implemented in six provinces in the centre and North of Mozambique, including Niassa. Synergies with this programme can be built. Similarly, Malonda supports small enterprises, through capacity building and microcredit through AMODER, and GAPI promote rural market capacity development more generally. It would be possible to build on these foundations and make a more concerted effort to support small and medium enterprises, linked to a few particularly promising value chains, individual or collective. One option would be to capitalise on outgrower schemes associated with tobacco and cotton production, to support the development of woodlots by local communities, to supply the tobacco industry with biomass energy.

Scale and efficacy of enterprise organisation: There are already agricultural associations within Niassa. It would be possible to work with associations, such UPCN, UCA and RODES. These emanate from SCC work in nine out of the sixteen districts of Niassa. More generally, it would be possible to work with UNAC to explore crop diversification for farmers groups organised into associations. The best

way to start might be to capitalise on areas where communities already have land use certificates or DUATs and enterprise associations, and then engage these associations to explore possible product development for crop-tree options. The usual challenges to this type of work remain, such as the registration of members lacking formal identity cards, known as BI, and the generally low levels of literacy and business skills.

Availability of fair investment and technology and service provision: INGC has been working with farmers in arid and semiarid areas of Gaza, Inhambane and Tete, to build resilience to natural disasters through exploitation and processing of non-timber forest products. But with only five or six extension officers per district to support local early takers of new technologies, rather than the estimated need of around nine, extension workers in service need further training to keep up with evolving technologies and to ensure effective dissemination. It might be possible to work with the Catholic University and Lúrio University to deliver the right content for vocational training as well as direct knowledge transfer to farmers.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: Introduction of high value tree crops, especially from naturally occurring species that can be planted and have resilience to climate change, will create employment and generate revenues through ownership of businesses. In the medium- to long-term, these enterprises can contribute to the treasury through tax revenue.

Social livelihood benefits from collective action / transparency and trust / social investment: Social benefits may accrue if the farmers involved in the production of particular products can group together to form local group enterprises. There are social benefits of diversified income sources and subsequent greater stability is also likely to be positive. Equally positive is the self-worth from developing farm-based entrepreneurial options that have multiplier effects, such as reinvestment in housing, safe water, community projects.

Environmental livelihood benefits from sustainable management / resilience adaptation: This option would have positive environmental impacts, through the diversification of woody plants on farm. It could help to make the management of low productive ecosystems, such as those in arid and semi-arid lands, more sustainable and profitable.

Option 11. Fertiliser trees to support conventional agricultural cash crops

Introduction

Niassa province is based around low input rain-fed agriculture involving more than 250 thousand farming households, of which 31 per cent are women. There have been some attempts to develop agroforestry systems, implemented with support from SCC (Weeffect), although these pilots are still at a small scale. SCC also provides support with agriculture inputs, access to markets and improvements to productivity. The introduction of fertiliser trees across a larger number of farms is likely to have significant beneficial impacts on both men's and women's livelihoods. The increase in productivity will contribute to food security and surplus crops can be sold.

Degree to which local control is enhanced

Security of commercial resource rights: As in the farmland option above, this option offers little beyond what is already taking place in terms of land delimitation. Land clearing for agriculture generally provides uncontested rights to that piece of land. The rights of occupation by individual farmers or

collective groups are acknowledged in the legislation. It would be possible to scale up such agroforestry activities in communities with land certificates or DUATs and some kind of zoning or land use plan.

Strength of local business capacity: A number of organisations, such as the Adventist ADRA, AGRA, FAO, INGC and CLUSA and others, are supporting conservation agriculture (involving different fertiliser tree options) and promoting markets for high commercial value commodities based on those systems. A combination of food crops for food, and crops for external sale is typically advocated. It might be possible to strengthen links with initiatives in the context of the Beira Agriculture Growth Corridor, financed by multiple stakeholders, market oriented for small, medium and large scale, and aiming to promote high productivity agriculture systems. In addition, it might be possible to tap into and exchange business management knowledge with large-scale producers from Brazil and elsewhere, who have been investing in agriculture in the region. A major challenge is again the building of business management capacity, as well as ensuring adequate partnership between large-scale companies and smallholder producers in very competitive commodity markets.

Scale and efficacy of enterprise organisation: Agriculture associations in several districts have been developing, particularly those that have been supported by Weeffect (former SCC) in establishing these organisations (UPA and UPCN). Interest groups and enterprise groups have also been formed in the context of over 100 CBNRM initiatives in the country. Most of these initiatives were established to address unsustainable land use practices, including use of fire for land clearing, short fallows and others, however, and have not had a strong commercial focus. Potential linkage with PROSAVANA, a government-led initiative with a small grants mechanism for service providers, who then work with local farmers to organise towards production for domestic and export markets, could be explored and used within this option.

Availability of fair investment and technology and service provision: There is a general need, as noted in several studies on the agricultural sector, to provide credit for purchasing inputs and better equipment for processing and storage. The labour demanded by agroforestry techniques has always been a challenge, as is the use of hoes with short handles for agriculture – one reason for the low production potential of agriculture in the region. There is lack of processing equipment and industries on which to add value.

Anticipated livelihood impacts

Economic livelihood benefits from ownership / partnership / employment: Increased productivity of land will increase production and food security; reduce malnourishment and the costs of dealing with this. Increased production also means food self-sufficiency and minimum need for purchasing food. Surplus production can be sold to markets.

Social livelihood benefits from collective action / transparency and trust / social investment: Strengthening existing agricultural associations and their capacity to use agroforestry techniques will build social security for rural communities.

Environmental livelihood benefits from sustainable management / resilience adaptation: More sedentary agriculture will reduce the incidences of fires and carbon emissions associated with shifting cultivation. There will be a general increase in the diversity on farm and the carbon sequestration in agroforestry based farming systems.

5. Analysis of investment options

From the analysis of different possibilities above, spanning natural forest, plantations and agroforestry land use categories, it is clear that certain investment options have better potential than others. Firstly, for installing the pillars or pre-requisites of ILCF and secondly, for generating positive economic, social and environmental benefits. In the sections that follow, we highlight what we consider to be the best bet options for ILCF under each of the three land use categories.

5.1 Options for innovation in long-term support for ILCF in Niassa

Natural forests options: Two innovative options stand out in terms of their capacity to help install the basic pillars or pre-requisites of locally controlled forestry, alongside positive economic, social and environmental benefits:

- Option 1. Community owned forest concessions for timber and biomass energy – Nipepe Community
- Option 3. Community Simple Licences for timber and biomass energy – Sanga, Mwembe and Mandimba

There is also an opportunity for continuing to develop community forest businesses in multiple use areas; linked, for example, to the Chipanje Chetu programme, the buffer zone of the Lake Niassa Partial Reserve. Also to explore implementation of business plans in the 81 communities where land delimitation and demarcation has taken place:

- Option 5. Community business in multiple use areas – Chipanje Chetu programme area

Both of the higher priotiy options would require a substantial investment from SIDA but both would set a very important precendent about the right and capacity of local rural people to own and manage natural production forests commercially for profit. In the former case, we have identified Nipepe community, which has already organised, with help from APRONAF / OIKOS, in order to apply for a concession. In the latter case, we have identified the communities of Sanga, Mwembe and Mandimba as potential areas for managed biomass energy businesses, using the new five-year Simple License legislation. There is ample experience globally of community groups managing commercial concessions profitably and even achieving FSC certification, for example, in the Guatemalan Peten. The enabling investments required to bring this about, however, are substantial. One exciting possibility would be to use such a community forest concession or commercial Simple License as a pilot for the types of enabling investment that might be paid for under the new REDD+ strategy. Rather than seeing large-scale concessions or Simple Licenses as the domain of international or large-scale domestic timber firms, this option would chart a different trajectory towards locally controlled forest concessions. This would be a model much more in line with Swedish domestic reality.

Both of these options would require a strong focus on business capacity development and organisation building. The latter, however, already plays to the strength of SCC/Weeffect support from SIDA. There have also been useful twinning arrangements between Swedish Cooperatives and community groups elsewhere. With the specific focus envisaged here, it would be very useful to emphasise the creation of partnerships within Niassa. For example, a partnership with Lúrio University or the Catholic University of Cuamba could help develop longer term skillsets through courses tailored to meet the technical demands of community concessions or biomass energy Simple Licenses. For more specific training, partnerships could be developed with RODES, UCA, OIKOS, CCM (conservation), the Swedish

Cooperative Center (Weeffect), Accord, Concern, and Estamos. Similarly, partnerships with the government's decentralised funding stream (FDD) for different enterprises could be further developed.

A key element of both options would be to look at innovative options for primary and / or secondary processing, to assess whether there is potential for local groups to capture additional value added. This might involve developing business partnerships – in the case of Nipepe community with associations of carpenters – with mutual benefits for both groups, in terms of stable supply and markets or products. It might also be necessary to develop a processing partnership with one of the six large-scale private sector companies in the region.

Plantation forest options: Two innovative options for community biomass energy plantations stand out in this section:

- Option 8. Community biomass energy (charcoal / fuel wood) enterprises
- Option 6. Smallholder owned plantation supply companies / joint ventures

Option 8 comes out of the analysis slightly higher but primarily because of the non-contentious nature of biomass energy production. There are also strong advantages to pursuing a smallholder plantation model for timber but this might require some form of partnership with an established plantation industry, in order to gain access to planting materials, technical management advice and markets, as the tree crop matures. The field team did not encounter strongly interested plantation companies with whom such an option might be developed. Nevertheless, we do recommend that this possibility be pursued further.

Both options would require a significant emphasis on developing efficient primary processing options, such as charcoal kiln technologies or small-scale sawmilling technologies. The prior work of ORAM, iTC and MCA to register community land rights could be built on by helping commercial groups establish, providing training in appropriate technologies, business management, leadership, accounting and accountability, marketing, credit management and so on. The advantage of establishing community-owned plantations is, once again, that it sets an important national precedent: that communities can and should be encouraged to develop the capacity necessary to engage with higher value markets for the natural resources which surround them.

At present, communities are seen as employees, with some potential low-wage benefits,[51] income for women in planting and revenue fed back through taxation, but little else. Labour contracts are often insecure, as it is beneficial for the company to have seasonal workers and not provide benefits like paid holidays. By way of contrast, this new option capitalises on existing land tenure in areas where communities have delimited or demarcated their land. It puts them in the place of owners and business managers, with the longer-lasting legacy of skills that any attempts would result in. By building business capacity for local entrepreneurs, a diverse range of possibility opens up to local people that could not previously be contemplated.

One issue needing particular attention would be secure land rights for women and the capacity for women to own their own business in tree planting for various objectives. Ensuring that women were equally included in efforts to build capacity in organisation and business management, as well as transfer of technological know-how, would be crucial.

[51] Nube, 2013

Agro-forestry options: In assessing the potential for commercial options for investing in agroforestry systems, it was clear that a range of potential options might be defined that were almost as broad as the commercial tree crops that could be grown on agricultural land. We chose to divide the potential options into those relating to commercial tree cash crops (for example, fruit trees but also timber or biomass energy tree crops) and those relating to fertilizer trees supporting conventional crop production.

- Option 10. Agroforestry business based on diverse tree crops on farm (4Fs – food, fuel, fibre and forests)
- Option 11. Agorforestry business based on conventional crops but enhanced by fertiliser trees.

Both options share broadly positive profiles for establishing the pillars or pre-requisites for ILCF, and positive economic, social and environmental impacts. In many ways, the on-farm timber or biomass energy options differ little from the preceding examples, in which such products would be sourced from natural forest or plantations off-farm. But a slightly different set of priorities might emerge if an option were developed based on a commercial native fruit crop, for example, or the establishment of green-manure erosion control hedges to improve soil fertility for a particular agricultural crop. In these latter cases, we saw a distinct advantage in strengthening the emerging agricultural associations, supported by SCC/Weeffect, among others.

Models to explore might include an exploration of high value non-timber forest products that could be domesticated into farmland areas, where communities have DUATs and areas where INGC is supporting more sustainable use and value addition of such products. As before, there would need to be a strong emphasis on the development of business capacity, allied to some specific technical inputs in processing and so on. Organising women's associations with registered land rights to plant trees for food, fuel, fodder and fibre would be one way to ensure a gender balance across a portfolio of possible agroforestry-based enterprise development activities.

5.2 Key opportunities and challenges to install the pillars or pre-requisites for ILCF in Niassa

As noted in the introduction, the advantage of this approach is that, through looking at specific investment opportunities, issues emerge about necessary interventions to secure the pre-requisites for ILCF that can then be addressed. For example: issues requiring rights-based advocacy; issues requiring business capacity development; issues requiring organisational strengthening; issues requiring investment brokerage.

Secure locally controlled commercial resource rights: Security of tenure is key to long-term commitment towards management and sustainable use. Without it, prospects for commercial investment of any sort are bleak. But in order to ensure that such tenure is linked to economic opportunity, it is necessary to develop commercial options that follow from existing legislation on land acquisition and avoid conflicts with existing interests of local communities. Within Niassa, options to showcase how secure rights might lead to commercial opportunity include supporting the establishment and running of community timber and charcoal concessions, and strengthening the rights of Simple License operators through the new legislation (30/2011; 293/12). It would be necessary to further disseminate the forest and land legislation and continue investments into on-going support for the delimitation and demarcation of community land and subsequent micro-zoning. Short of running their own concession business, in areas with potential for industrial plantations, communities could be organised to retain resources rights as an equity share in businesses operated by large-scale companies. This would avoid some of the conflicts that arise due to poorly conducted processes of land

transition and would ensure that they have a meaningful stake in the business as shareholders, and are therefore included in the decision-making process.

Challenges that remain include the access to and disclosure of information, including knowledge about the commercial possibilities available to communities. This is key when it comes to consultations over the allocation of land to private investors, either to explore natural forests or for establishing plantations. Disclosure requires packaging information in a manner that will be understandable for the target group; for example, using appropriate languages and oral or written traditions, including use of cultural expressions such as theatre, dance and song to share the messages with mostly illiterate communities, or using modular radio broadcasts. Consultations should not be a hasty or one-time exercise. They have to be established as a basis for communication, dialogue and monitoring of commitment to implementing agreements regarding the investments, whether small or large. The government has to monitor and enforce legislation.

Areas to support should include the registration by local people of concessions in productive forest and multiple use forest areas. We advocate support to communities with forest concessions in Nipepe/Marrupa in Niassa and further support to concessions elsewhere, such as Macossa in Manica and Nabiode in Zambezia to develop and implement a management plan. We also recognise the need for work to develop partnerships that establish a processing plant, including primary and secondary. This could be, for example, up to furniture production. We also see an opportunity to support Simple License operators through AMOMA, to congregate the numerous individual logging operators and acquire concessions. Technical support would be needed to assist such Simple License operators to produce charcoal and timber in areas up to 10,000 ha, as stipulated in the new forest decrees. Community plantations for food, fibre, fuel and even fodder crops could be developed both off-farm through plantation legislation or on-farm. There is also need to target land rights formalisation, for women to establish viable tree and biomass enterprises.

Strength of locally controlled business capacity: Without the business capacity to generate income from natural resources, secure tenure is of little value. The options outlined above offer possibilities for developing business capacity around specific value chains, which not only have commercial potential but might transform the way in which local communities are seen as agents of change, rather than recipients of aid. More concerted and specific efforts to facilitate capacity building in a number of distinct business opportunities, together with the use of new technology, will be fundamental. There would be different training needs for each potential value chain, including charcoal production; timber harvesting; carpentry; processing of agriculture products, such as soy into milk and yogurt; and non-timber forest products, such as masuku fruit (Uapaca Kirkiana), charcoal, honey production and processing, mushrooms or medicinal plants.

One critical challenge for any programme of this sort is to reach and engage potential local enterprise groups. Human resource gaps mean that any programme will first have to ‘train the trainers’, with skilled business development experts brought in to train local government extension staff, NGO groups, association outreach staff and so on. Building modular training materials that work in the Niassa context could be a valuable outcome. This would be especially the case if some of those resources were adapted for dissemination in modular radio broadcasts, using successful examples to illustrate the potential that exists for locally controlled forest enterprises.

The University of Lurio offer an innovative concept of fostering the link between the theoretical learning and practical business development for rural communities. Setting up link programmes of this sort would enable students and farming households to exchange knowledge for mutual benefit. The university intends to use community radio to reach the communities and it could be a partner in delivering interesting business-related information in its outreach. The university has already developed a training concept that includes communication with key stakeholders.

Challenges to the development of business capacity include basics, such as low literacy levels; a lack of electricity, which hampers the possibility of capitalising on open source knowledge, using the internet; poor infrastructure, such as essential roads; and so on. Most individuals and associations have very low literacy levels, let alone skills in business management. Any new programme would have to continue to develop innovative ways of knowledge and technology transfer, perhaps using local community radios to disseminate relevant information. Partnerships need to be secured with service providers such as iTC, and PROSAVANA. For example, funds may be made available through local banks, to test models for accessing credit by small enterprises through a competitive process.

Engaging financial institutions will also be important. A programme needs to assess how to engage commercial banks – mainly in towns – and microfinance institutions, to include investment packages that favour smallholder production and transformation, and do not focus only on trade. The commercial banks should be encouraged to develop corporate social responsibility and assign credit which might be considered of high risk, but is necessary to build a strong, sustainable economy, in which smallholder are active participants. Investment is needed across all land use areas – productive forests, conservation, multiple use, plantations and agroforestry – and involving harvesting technology, processing and storage and packaging and marketing.

It will also be necessary to build in links to programmes such as PROSAVANA, which has already conducted studies analysing land use potential, potential environmental impacts of agriculture production, and surveys of existing natural resource use by producer associations along the Nacala corridor. The aim is to provide support to the latter to grow into strong cooperatives. PROSAVANA is developing a databook of potential investments and plan to direct responsible investment in the agrarian sector, starting with rapid impact projects.

Scale and efficacy of locally controlled enterprise organisation: Without scale efficiencies to cut costs, negotiate better prices and upgrade into new value added opportunities, the secure commercial tenure and business skills may amount to nothing. Within Niassa, there are already several community associations:

- Most have been established to implement various rural development opportunities. Legislation for associations was established to guide the definition of procedures and decision-making bodies required for fomal registration of such producer associations.
- Some were created as interest or enterprise groups in the context of CBNRM.
- Some were created to resolve land conflicts.
- Some were created to benefit from District Development Fund (DDF).
- Some were established to receive the 20 per cent of tax revenues due to communities, in land where commercial activities take place.

But many other associations emerged organically in response to other business opportunities.

There are several organised business initiatives based in forest-farm areas and including both men and women. These are mostly in the grain trade; some agro-processing (grain mill); but also some forest related business, such as carpentry, charcoal production and trade, although many of these are informal. Further work is needed to assess how these organised business ventures are structured, what is working well and what can be learned from the success so far.

There are also several government agencies and NGOs working to disseminate relevant legislation on natural resources management, helping groups to formalise their associations and train Community Based Organisations (CBOs) in, for example, business management and financial management. Academic institutions, such as universities (Lurio University in Sanga, UP, and UCM-Cuamba) and other training centres, might be able to reach target groups with useful information but will need to change their rather academic approach. UNILURIO's programme of linking with private sector and small-scale producers is an important step in the right direction. A challenge might be to encourage Lurio University to assign third and final year students to support a particular district, to work with extension officers and help in delivering extension services in the area of association building for commercial purposes. This model could be rolled out nationally. In Manica province, for example, a similar arrangement can be undertaken with a diploma-level training school, with Chimoio Institute of Agriculture (IAC), University of Zambeze, and others. In Gaza, the Agrarian Institute of Chockwe can also be involved in such way. There is experience in building capacity of farmers; an example is described in the box below. The concept of farmer schools can be adopted to build capacity of local organisations in the aspects of natural resources management, production, marketing and business management in the context of ILCF.

Box 2. Schools in farms (Escola na Machamba do Campones, EMC)

This initiative has been implemented in Zambezia Province and in 2004 was extended to the provinces of Maputo, Sofala and Manica.

This school has no 'walls'; it consists of fifteen to twenty farmers, who meet every seven to fifteen days in a farm selected by the group during the entire lifecycle of a culture chosen by them. On this farm, the group experiments with new technologies and production options, notes the ecosystem, analyses the results, makes comparisons and team members exchange experiences and make decisions on the best options.

The process of 'discovery' of new knowledge is boosted by the 'facilitator', with the main task being to guide and direct the learning process through participation and experience. The facilitator can be an extension officer, technician, or a farmer who has participated in EMC.

Themes discussed include crop management, control of pests and diseases, the management of natural resources or livestock rearing, and other topics of interest to the community, such as nutrition, malaria and other diseases, medicinal plants, HIV / AIDS, organic compounds, savings and loans, marketing, agro-processing, literacy, and so on.

Part of the challenge of developing strong models of business association around particular market and product opportunities will be to grapple with low literacy, availability of formal ID documents and other cultural impediments to establishing workable local organisations. For example, the traditional leadership might not be best placed to run a business but might wish to be involved. Building trust, transparency and accountability of the members in business associations will be time consuming and require continuous engagement of facilitators, to ensure that proper participatory management systems are put in place. Associations must ultimately be weaned off support from donors and/or facilitators: businesses must be profitable and sustainable to ensure their independence and sustainability. We recommend focusing initially on promising possibilities that already exist in Sanga, Mwembe, Mandimba and Majune. In addition, PROSAVANA's 19 priority districts in Zambezia, Nampula and Niassa are good grounds for developing different models of organisation of producers, including partnerships with the private sector.

Availability of fair and locally controlled investment, technology and service provision: The concept of ILCF is that enabling investment paves the way to investible business entities, which can then attract the asset investment they require on their own terms – either as equity, or loans finance, or leasing. The long-term nature of the enabling investments that are required in environments such as Niassa would suggest a suitable approach might involve several phases.

We propose that three key phases should guide the support from SIDA. Delivery of poverty reduction, equity and sustainable forest management will not happen with short term (two to three projects); long-term commitment is essential. Failure of most locally controlled forest enterprise support is due to the lack of recognition that they need to be treated as a business that needs initial capital investment; long periods to build profits; and consolidation of growth of profits, allowing them to not only break even, but to start building up financial security, with repayment of loans and savings for eventual reinvestment. We think an appropriate structure might include:

- **Investment phase**, which might take up to three years, when starting with non-existing structures: Rights acquisition; forming associations, including acquiring ID/BIs, registration of business and as tax contributors; training; providing financial resources (credit) to purchase inputs and equipment needed for profitable production and use of adequate technologies. This period might be long, however, significantly shortened through the work of iTC, CBNRM and existing outgrower schemes. Nonetheless, it is important to build sufficient time into the new support. This phase requires technical assistance and financial support, including for understanding the viability of the enterprise.
- **Growth phase**, three to five years: Enterprise is established and gradually enters the markets, repaying the costs or investments, and growing profits and financial security.
- **Consolidation phase**, which might take another five years: building up savings for reinvestment, and possible expansion of businesses.

The duration of each phase needs to be defined according to the area in which investment is made. Concessions for timber or biomass energy might need different investment timeframes to the harvesting of readily available NTFPs from multiple use or conservation areas. The latter might require, for example, a large initial investment in drawing a management plan and setting up adequate harvesting and processing technologies but the source of revenue is ready and short-term. However, sustainability will require that harvesting and processing capacities are tailored to the management plan and quantity of annual allowable cut. It is important to assess the point at which break-even is achieved and net benefits, based on discounted future cash flows, are accrued. A reasonable investment period may span up to 20 years.

On other hand, investment in tree planting, either in industrial plantations that are community owned and linked with large-scale investments, or tree planting for food, fodder, fibre and fuel, or tree planting for replenishing soil fertility, yield medium- to long-term benefits. Farmers and local land users might have to wait five or even ten years to start reaping the benefits of their investment. In such cases, long-term investments need to combine with short-term gains. In the case of fertilizer trees, this may be in the form of short-term increased production and productivity of agriculture. Payments for ecosystem services might also provide incentive for rehabilitation of degraded lands, while awaiting the commercialisation of the products.

ILCF is not compatible with investment decisions based quarterly returns, the political terms of office or short-term project finance from donors. Any commitments should be long enough to allow for the development both of the businesses in question and the support institutions (NGO facilitators, business and financial service providers, and University training institutions), on which the future sustainability of the approach rests. Land registration is not an end but a means to achieve prosperity. Therefore, it is not acquiring a concession by a community that is important, but rather the capacity to make that concession operational. Niassa has the potential to implement ILCF by making use of the momentum,

of natural resources available and existing socio-economic foundations, including resources tenure, organisations and some level of business drive and skills. But sustained investment is necessary to make it happen.

5.3 Necessary institutional partnerships

Implementation of ILCF will require participation of stakeholders that span government, communities, private sector, academia, civil society organisations and development partners. The table below highlights some of the key institutions and the role they might play in a new ILCF Programme.

Institutions	Potential roles
Government	
Education at national and provincial level (Ministry of Education and Culture)	Include in the curriculum of education up to secondary education topics on ILCF – stimulate knowledge of the pre-requisites, through reading materials targeted at different levels of learning
Agriculture and Extension (National Directorates of Agriculture and Extension Services of the Ministry of Agriculture – DNA, DNER, DPA, IIAM-agriculture research, INGC)	Training extension officers including short course for those already in the field Sharing practical experiences in the field – technological packages in agriculture and forests including processing and commercialisation of NTFP from arid and semi-arid areas
Lands and Forests at national and provincial level (SPFFB, SPGC)	Driving land use planning processes and monitoring of land delimitation processes and conflict management Dissemination of legislation on forests and lands Facilitation of acquisition of needed rights to explore the various options outlined where those are not yet secured Monitoring of implementation of sustainability requirements
Environment at national and provincial level	Dissemination on environmental legislation and monitoring of implementation
Investment (CPI, CEPAGRI, GAZEDA, IPEX, Autoridade Tributária)	Disseminate legislation on incentives and obligations for small and medium investments Facilitate establishment of businesses Provide opportunities for SMFE to participate in provincial and also annual international trade fairs in Maputo to explore partnerships

	Monitoring implementation of legislation
Ministry of Home Affairs and Ministry of State Administration	Support issuing of the necessary documentation for citizens in districts of SANGA, Mandimba, Mwembe, Lichinga to enable establishment of businesses
Private sector	
Malonda Foundation	To be determined pending outcome of SIDA strategy process – but potentially adapted role to facilitate ILCF
FENARI/CTA, timber concessionnaires, annual licenses, FEMA	Mobilisation of private sector to adopt more inclusive business models to advance ILCF Contribute to creation of business environment in which large and small can contribute to economic growth, employment, food security, gender equity and poverty reduction
Timber operators and concessionaires	Open to experiment new forms of running businesses including partnerships with communities Awareness on economic benefits of sustainable management of resources in the long run
CSO	
Credit facilities, such as GAPI, AMODER, Banco Terra, Caixa de Poupanca	Develop credit lines that include support to production and value addition besides trade
Community organisations, such as ORAM, iTC, Estamos, OIKOS, Weeefect	Support community organisation – associations Support or facilitate training on democratic organisations and decision making Support land use planning and identification of potential option for the areas where they operate Facilitation of development of business plans and their implementation Organise learning exchange between various actors including government, private sector and communities Capacity of CSOs – further training for best delivery of their support mandate
Academia	
Lurio University, Agroforestry Centre at UCM in Cuamba	Training in business management Continue to explore workshop for short and vocational

	training Lurio strengthen its programme linking students and graduates with farmers and private sector to provide capacity
Communities	Willing to explore new ways of using resources for food security and improved household and community economic conditions Adopt sustainable management of resources to sustain livelihoods and mitigate against impacts of climate change

6. Recommendations for the Swedish Embassy

6.1 Relevant findings

In this section we draw some broad analytical conclusions about the relative merits of different investment options and therefore what the Swedish Embassy should consider in the work with the development of the country strategy.

A portfolio of options to invest in

Across the three main land use categories – natural forest, plantations and agroforestry – there are a number of promising investment options. We recommend that the Swedish Embassy look at how to invest in these different options as a single portfolio. This is because some options may not be as successful but there will be useful developments in capacity and organisation along the way that will moderate that failure and improve the prospects for the remaining investments. We recommend a portfolio that spans both natural forest and plantation forests and is built around further analysis of, and investment in, four options that set useful precedent of local ownership and control:

- Option 1. Community owned forest concessions for timber and biomass energy – Nipepe Community
- Option 3. Community Simple Licences for timber and biomass energy – Sanga, Mwembe and Mandimba
- Option 6. Smallholder owned plantation timber supply companies / joint ventures
- Option 8. Community plantation biomass energy (charcoal / fuel wood) enterprises

In addition to these four investment options, we recommend more concerted efforts to explore a diverse array of forest and farm cash crops, including wild and domesticated NTFPs, in which a central emphasis will be to capture workable models of business ownership and management, for diverse product and service businesses. Including these in the portfolio will strengthen the general thrust towards locally controlled forest enterprises:

- Option 5. Community business in multiple use areas (diverse NTFPs and agricultural crops)
- Option 10. Agroforestry business based on diverse tree crops on farm (4Fs – food, fuel, fibre and forests)
- Option 11. Agorforestry business based on conventional crops but enhanced by fertiliser trees.

An engagement process that reaches community groups using radio

One challenge in any programme of this type is to adequately reach the target groups of local people with whom locally controlled forest enterprises might be possible. There is a need first to ensure that local groups are aware of the commercial forest options open to them under the law. There have been a number of simple but effective advocacy counter strategies (such as “You cannot eat trees”), which need to be addressed through an informed educational programme or programmes on local radio. Having selected more promising groups for support through ILCF, it is also necessary for other communities to learn from those experiences. Written media in contexts such as Niassa does not have the required reach. We therefore recommend that – at both outset and outcome – this programme targets a series of radio programmes as the main form in which project outputs will be communicated. At the outset, this might involve dissemination of commercial options under the law. At outcome level,

this might involve a capacity building set of radio programmes that takes local groups through specific commercial options, with reference to examples developed in the programme.

A necessary paradigm shift

The approach we are advocating in this report would involve a shift away from the conventional logic of 'capital in search of natural resources and needing cheap local labour,' towards a new paradigm of 'local rights-holders managing natural resources and needing capital'. In practice, this will mean less emphasis on bringing in investors, be they plantation investors or others, as was one focus of the Malonda foundation. It will mean complementing that with more emphasis on picking strategic business opportunities, and helping particular local groups to establish investible entities that have the sort of scale and management capacity that can attract investment on its own terms. This emphasises some of the other elements of SIDAs existing portfolio, for example, the work supporting agribusiness and market development, natural resources, land delimitation, credit, capacity building of farmers, local development programme programmes involving Weeffect, Banco Terra, iTC, UNAC and other partners.

An approach based on facilitation

Recent advances in understanding how to support enterprise development suggest that a 'facilitation' approach rather than 'direct service provision' has a number of advantages. It focuses on strengthening not only the core market (the particular business in focus) but also the support markets (commercial business service providers, training institutes, micro-finance players and so on) and draws in actions from other helpful institutions (for example, the various local Universities). The aim, where possible, is not to subsidise or displace local commercial service providers, but to make use of and strengthen them, such that the whole suite of necessary institutional structures is developed. This is an approach known as 'market system development'. The critical next step in this regard will be to choose an institutional hub within Niassa that has the business know-how to perform such facilitation. It could perhaps be networked using some form of steering committee for ILCF that draws in relevant areas of expertise and support. While Malonda might have fallen short of some of its objectives, it seems to have an established capacity to attract and support investment. Such capacity could be used to focus on building capacity of small and medium enterprises to implement ILCF. Mechanisms of tight monitoring could be put in place to enable assessment of progress in delivery of the activities. Another option, not necessarily mutually exclusive, is to support iTC in implementing the business plans in delimited or demarcated community areas with ILCF lenses; also to support in reviewing its governing bodies to include relevant institutions for oversight and strategic direction. Weeffect is another candidate to playing a role in facilitating ILCF in the context of ARENA, and the Lurio University and Agroforestry Centre at UCM are key to providing training. Better still, a consortium formed by these entities could draw on respective comparative advantages.

An agenda that sets new precedents around ILCF

Some options offer both reasonable economic social and environmental impacts but also help to further the pillars or pre-requisites of successful locally controlled forestry. We suggest a shift in focus towards these options; this is to be preferred over options that achieve shorter-term economic impacts through partnership with large-scale corporate but no longer-term prospects. In practice, this means designing deliberate strategic 'enabling investments' to address any deficiencies in the four pillars or pre-requisites of ILCF:

- Rights-based advocacy to secure local commercial resource rights. This is, for example, helping set the precedent of workable and successful community owned concessions / Simple Licences / plantations, disseminating and defending the legal basis for such developments.
- Facilitating training in business capacity development. For example, helping local institutions develop and run participatory training in business management, product development, accounting and marketing, together with local business service providers or Universities.

- Catalysing organisational strengthening. Examples would be working with provincial programmes and local NGOs to develop product specific cooperatives or commercial associations and encourage these to meet, share experiences and federate at provincial and maybe even national level.
- Brokering investment and market access. For example, supporting participation in local or regional trade fairs, arranging meetings between local enterprises and private sector or donor investors.

A timeframe fit for purpose

Whatever programme is developed from these recommendations or others, it would be worth giving the timeframe considerable thought. We recommend a minimum of ten years with a phased approach. This involves early dissemination of commercial options to relevant community, NGO and private sector partner groups, leading to catalytic investment (years one to three) a growth phase (years three to five) and a consolidation and outreach phase (years five to ten). Any business takes time to reach its break-even point, consolidate its early gains, learn from lessons and modify its trajectory. This will be the case for any ILCF work in Niassa and elsewhere in the country.

A rigorous monitoring and evaluation (M&E) process

Many programmes underachieve for want of a rigorous evaluation process, especially at local level, which maintains delivery incentives, identifies and corrects any design failings, and documents lessons for broader dissemination. We recommend an early detailed value chain analysis of the preferred options as a baseline against which progress can be monitored. This should include field research with community producer groups, agents or buyers, and large-scale industrial partners where appropriate. We also recommend that such a value chain analysis incorporates specific interrogation of the situation for each of the four pre-requisites of ILCF; again as a baseline against which to monitor progress, alongside regular indicators of economic, social and environmental progress.

6.2 Strategic recommendations

In this section, we draw on our assessment of Government of Mozambique and Government of Sweden policies and guidelines. This is in order to recommend critical areas and arrangements that should be considered in the country strategy, and the planning of future projects and programmes, especially with regard to likely effects and implications related to: i) economic opportunities; and ii) environment and climate change.

Adopting a wedge-shape approach to financing

The sort of enabling investments described above start small and then grow over time. A central facilitator institution assesses through detailed research, and then engages through practical action, particular local groups to secure rights, strengthen business capacity, organisation and access to markets and investment. We recommend that for each investment option described above – in natural forest, plantations and agroforestry – a facilitating institution starts with few communities, associations and/or few individuals already developing a business idea. Early participatory value chain analysis could help to identify useful initial intervention points, for example, some kind of training, such as legislative provision, business registration, basic business management and negotiating partnership deals. This initial diagnostic work would have also to engage with and complement the work of other institutions, such as iTC in land delimitation.

Focus firmly on locally controlled forest enterprise

The emphasis of this approach is the development of businesses that are locally controlled, not business at all costs. Because local people are often lacking skills to pursue business, and even more basic literacy and education, there will be a need to focus training on ‘doing business’ but in such a way that can be understood by a wide range of people.

Start by defining value propositions in hard business terms

The best way to ensure a successful locally controlled enterprise is to ensure that the community or family smallholders understand what they are about: what market they are targeting? What does the customer want? What competitive advantages do they hold? What might improve their ratio of costs to returns? What options there are to add value over time? For example, in Niassa, the high value export furniture market may seem like a good idea but perhaps it is both more realistic and more profitable to supply sawn construction wood to local town, given the costs involved in the former. We recommend trying to dominate local or regional markets before looking abroad to more exacting export markets, as a general rule of thumb. In other words, a local group should understand what it is about before dealing with outsiders. There are on-going trading activities between Mozambique and neighbouring countries of Tanzania and Malawi, however. For example, Malawi is significantly stressed in terms of biomass energy availability and there is illegal harvesting of wood in Niassa to meet the needs across the border. Producing charcoal in Mandimba for export to Malawi might be a plausible option. Any business requires a central idea or value proposition – as above on capturing and spreading workable business models. Since the basics of business model development are covered in numerous other works, we will not further elaborate them here.

Work towards formal establishment

Once the local group developing the business have a clear understanding of their business model, including customers and distribution channels, production partners and supply chain, and value proposition, that business needs to be formally established. The Nipepe community concession, for example, needs to think beyond managing the concession towards the formal value proposition, naming and registration of their business. Choosing the right commercial registration model is important but existing groups already have experience in this. In order to attract investment, it may be necessary to register a company limited by share – especially if the business requires investment – rather than a co-operative. A business partner may prefer to invest through putting equity into a joint venture, rather than offer loan finance. This is often easier if the business is registered as a company. In order to maintain local control, the business might chose to maintain a majority shareholding by the association and thereby maintain control over the management of the separately constituted business.

Validate the early ideas through incremental trials to improve different bits of the business

As the business in question starts to operate, it is essential that it constantly reviews its business model. For embryonic businesses, this may mean doing a limited pilot production of a particular product and keeping careful financial records, including balance sheets, profit and loss accounts and cash flow analyses. For more established businesses, it is probably best to focus this phase on an analysis of business finances but then ask a series of probing questions, such as: what other resources are available to its members? There may be, for example, a number of other products derived from the agroforestry systems that are being used to produce timber. The business would need to consider whether any of these have potential to earn revenue for the business. Alternatively, the availability of growing stock of commercial species might be constraining factors, and they might need to consider whether the business would be able to operate a profitable nursery to furnish such needs. Another question to consider, could be: what technical constraints are our suppliers facing and how might these better be overcome? For example, whether the business has done enough to ensure that suppliers understand the needs for quality, quantity and timely delivery, or offer training. They could ask: what does our market research tell us about what potential customers most value? Or, who are the competition and what are they offering? For example, whether they can distinguish themselves by developing a ‘brand’ based on selling only the best variety of a particular product. Finally, they may consider: how can we improve our local infrastructure? For example, whether there are better options for delivering our product to the ultimate customers.

Explore useful partnerships

Any form of partnership with another business will be based on some form of financial agreement, such as purchase agreements or contracts, grants, debt capital, leasing, equity capital or even bonds. The better the preparation of the local business, the better is the likely outcome of the partnership. In order to negotiate adequately the terms of that partnership, it is essential that a community business develops

a clear business plan, underpinned by sound financial statements, including a balance sheet, profit and loss account with and without potential partnership, and cash flow analysis with and without partnership. The business plan must specify the amount of funding required through the partnership, in order to execute the business plan, even if this simply involves a statement of the quantity and price of product in a purchase agreement. This should include capitalisation of on-going activities in MINAG, the Ministry of Planning and Development (decentralised planning) and The Ministry of State Administration (MAE), with Programme Pro-Partnerships between investors and local communities. The initiative is implemented by the National Directorate for Rural Development.

Invest in developing negotiation skills

Successful negotiation can only be achieved if the community business has organised itself properly. This means, for example, clear supplier contracts or agreements, based on adequately secure tenure; formally registered legal standing; a business plan, in which there is awareness of capacity and needs; communication mechanisms in place; and lastly, capacity to negotiate. As noted in Elson,[52] negotiation starts by asking the rights questions of the potential partner. So the community business might ask: "How can we help you achieve your business objectives?" and the company partner might ask: "How can we help you overcome barriers to our mutual advantage?" This recognises that it is not always solely financial issues that need to be addressed but also issues of secure supply, markets, and so on. The company partner will almost invariably want to conduct some due diligence checks to ensure that the community business will be a reliable partner. The same might also be true of the community business, for example, asking for the company's publically available annual report, financial statement or brochure. The outcome of any negotiation should be a written contract of some form, which has legal standing and can be enforced in the event of failure to deliver on either side.

Install regular performance management in any business partnerships

A useful strategy in the negotiation phase but also subsequent to it is to discuss an agreed schedule of monitoring and feedback. This might include agreement relating to any changes, delays, disputes and how to resolve them. The community business might also wish to monitor its financial records closely, before and after a partnership agreement is in place to be able to assess the impact of the partnership over a longer period of time.

Explore trans-boundary collaboration in implementation of ILCF

Exploring trans-boundary collaboration might include Tanzania and Malawi. These two countries share common ecosystems, such as the Miombo woodlands, water resources of Rovuma and Lake Niassa. They also share common demands, in particular for timber for domestic and export market, as well as biomass energy. It is sustainable land and forest management across the borders that will ensure maintenance of ecosystems services in the region.

6.3 Ideas with possible generic application

In this final section, we distil out ideas and thoughts in relation to: a) tentative findings and recommendations that could, or should, be utilised at a general level in other country contexts or globally; or b) tentative findings and recommendations that may be possible to feed into the broader framework of IIED – Sida framework collaboration from 2014 onwards.

Screening sectors based on the establishment of pillars or pre-requisites for ILCF

What we have attempted in this report, which is the initial development of a screening process through which to assess different donor investment options, might be useful more broadly. For example, in neighbouring Tanzania, there are similar investment dilemmas over natural forest management, plantation development and agroforestry. These might benefit from an equivalent exercise to assess

[52] (2012)

whether and how they contribute to ILCF. Similarly, SIDA support to the civil society strengthening programme in Myanmar (Pyoe Pin) is currently engaged in a process to support a 'market-led approach to community forestry'. Here too, there is need to weigh up different options, as local community groups take control of their forests and seek to make commercial returns from them. Knowing which sectors to focus on, and how useful precedents can be set to further strengthen local control over forest resources, is an issue of broad relevance.

Networking institutional hubs that facilitate ILCF

The idea of developing an institutional hub with the capability of supporting locally controlled forest enterprise is not new. Indeed, the Forest Connect alliance links many such institutions worldwide. There is much to be gained, however, from fertile discussion of the multiple different tactics, approaches and structures that have been adopted in different regions, based around locally controlled forest enterprises. Support for a broad network of institutions engaged in and sharing findings from the ILCF approach might generate considerable added value to that of isolated in-country attempts.

Concerted efforts to capture and spread workable business models

Particularly in the light of the portfolio approach described above and the inevitable occasional failures that this will involve, a useful approach with broad applicability might be to focus strongly on capturing and transferring workable business models. These might include innovative descriptions of different elements of business models that proved successful in Niassa and could be replicated elsewhere in the country:

- Ownership structure: what shareholding or ownership structures work best?
- Customer targetting: what markets best serve local producers?
- Distribution channels: what models of delivery worked best?
- Value propositions: what were the offers to customers that were competitive?
- Supply chain: how was the supply from different people organised?
- Production capabitilites: how was efficiency, product specification and timeliness improved?

But beyond the description of 'what' worked well in Niassa, it would also be useful to capture in these descriptions of business models 'how' these particular innovations emerged. For example, what process of discussion was required, how long did it take, who championed it, what partnerships were necessary to bring it about? Sharing such models with practitioners working elsewhere and vice versa might establish an invaluable long-term learning resource for effective development interventions.

Partnerships with Universities to prepare future generations for ILCF

As noted in the field findings from Niassa, there are few institutions with the mandate and staying power of local universities. Practical academia, involving engagements between students in appropriate business, agriculture of forest courses being assigned to community business development is an interesting idea that perhaps merits exploration more broadly. Particularly where such universities have programmes for practical transfer of knowledge based around business management or technology interesting, such as the UNILURIO and the Agroforestry Centre at UCM example in Niassa, this could prove a useful longer term investment.

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Annex 1 - Lists of stakeholders interviewed

Category	Name	Organisation	Position
Government	Veronica Langa	Provicial Government	Provincial Permanent Secretary
	Ana Maria	Majune District Government	District Administrator
	Pedro Vicente	Provincial Directorate of Agriculture	Provincial Service of Forest and Wildlife Representative
		Provincial Directorate of Agriculture	Provincial Agriculture Service representative
		Provincial Directorate of Agriculture	Monitory and Evaluation Officer
	Joao	Provincial Directorate of Agriculture	Provincial Service of Geografy and Cadastro Representative
	Germano	Provincial Directorate of Agriculture	Forest Department
		Provincial Directorate of Agriculture	Planing Officer
		Provincial Directorate of Agriculture	Agrimensure Department
	Maria Betania Joao	Sanga District Government	District Permanent Secretary
	Mateus Simao	District Services for Economic Activities	District Forestry Department Representative
	Eduardo Assane	Muembe District Government	District Administrator
	Lucio Papio	Mandimba District Government	District Permanent Secretary
	Domingos Andrassane	Mandimba District Government	District Planning Department Representative
	Valeria Celestino	District Services for Economic Activities	Industry and Commerce representative/SDAE
	Bento Antonio	District Services for Health, Women and Social	District Healt, Women and Social Works Director
	Francisco Machono	District Services for Economic Activities	District Economic Services Director (SDAE)
	Jose Bandeira	Provincial Finance and Planning	Provincial Director
	Fernando Mataruca	Provincial Finance and	Rural Development

		Planning	Department Chef
Community			
	Mapanda	Community Leadear	Traditional Leader (Regulo)
	Feliciano Hamed	Community Association	Community Association Treasure
	Felisberto Chaipo	Community Association	Community Association member
	Orlando Abudo	Community Leadear	Traditional Leader
	Salange Pedro Banaba	Community Leadear	Traditional Leader (Regulo)
	Mendes Mustafa	Community Association	Community Association Secretary
	Gaponiel Assane	Community Association	Community Association Member
	Teresa Abudo	Community Association	Community Association member
	Rafael Gribati	Charcoal Association	Charcoal Association President
	Jaime Saide	Charcoal Association	Charcoal Association Tresure
	Issufo Abido	Charcoal Association	Charcoal association member
	Silverio Bernardo	Consult Council	Forum President
	Frank Jose	UMOA	Coordenator
	Antonio Caisse Aide	Ntchepa Fishery Association	Vogal
	Franco Leonardo Makwindja	Ngoo Fishery Council	Adviser
Private			
	Johan Potgiete	UPM	Manager
	James Luckhoff	Chikweti	Manager
	Dame Gons	Florestas do Niassa	Manager
	Gracindo Sayal	Niassa Green Resources	Manager
	John Blass	Carpentry	Owner
	Zeca Abilio		Green Resources Community Fiscal
NGO			
	Francisco Pangaia	Malonda	Executive Director
	Rajabo Simalaunga	Malonda	Community Program Promotor

	Tito Gouveia	Malonda	Services Promotor
	Edgar Usseine	Centro Cooperativo Sueco	Representative
	Manuel Nandja	WWF	Field Officer
	Damiao Silvestre	Community Radio Association	Manager
	Jackson Passades	iTC	Niassa iTC representative
	Felix Cossa	ORAM	Manager
	Minoria Retxua	ORAM	Field Officer
	Leandro Abilio	ORAM	Office Officer
Microcredit			
	Gilberto Medeiros	Amoder	Lichinga Representative
	Martinho Camoz	Caixa de Poupanca	Manager
	Vasco Amade	AMODER	Credit Officer
	Dias Mele	AMODER	Field Officer
Academia			
	Luis Pereira Domingos	Unilurio	Forestry Department Coordenator
	Mateus Marassiro	Unilurio	Rural Development Department
Government	Inacio Nhancale	National Diretorate of Extension	Vice National Director
	Belmiro Uageito	MAE/National Directorate of Rural Development	Representative
	Josefa Jussipu	MICOA/DINAIA	Environment Licence Department representative
	Arsenio Dinis	MICOA/DINAIA	Environment Auditor
	Alima issufo	DNTF	Head of the forestry Department
	Olavo	DNTF	DNTF Lawyer
	Teresa Nube	DNTF	leader of CBNRM Unit
	Calisto Bias	Prosavana	Director
	Thais	Prosavana	Representative of the Brazilian Cooperation Agency
	Jusimiere	Prosavana	Representative of JICA
Microfinance	Victorino Xavier	GAPI	
Embassy	Annlouise Olofsson	Embassy of Sweden/Programme Manager Rural Development	First Secretary

List of Stakeholders who participated in meeting in Maputo for presentation of findings and recommendations, 3rd July 2013

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18	Teresa Nube	MINAG - DNTF	00258 85445502	teresanube@yahoo.com.br

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6	Francisco Machono	SDAE - Mandimba	00258 826652080	franciscomachomo.mz@gmail.com
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Annex 2. Terms of reference

2013-04-16

Terms of reference

for a strategic assessment of the potential for investing in locally controlled forestry (ILCF) for the promotion of sustainable rural development in the province of Niassa, Mozambique

1. Introduction

More than half of Mozambique, around 40 million hectares, is covered by forests. Forestry and tree plantations have a long history in the country dating back to colonial times. Several plantation projects were initiated in the seventies and in the eighties and in 1992 the area covered by tree plantations had reached around 40 000 hectares. In the years after liberalization the forestry sector was besides sugar, the only area that attracted considerable interest of private investors. According to FAO, tree plantations covered around 62 000 hectares in 2010.

Besides being an increasingly important source of various forest products, forests and plantations have gained important attention through the discussions in the context of the United Nations Framework Convention on Climate Change (UNFCCC) which have focused on a mechanism to reduce emissions from deforestation and forest degradation (REDD+).

The Government of Mozambique (GoM) has actively promoted large-scale private investment in tree plantations for many years resulting in a national Reforestation Strategy in 2010. The strategy argues that up to around 21 million hectares could be used for non-agriculture production such as tree plantations. The strategy sets the objective of establishing tree plantations on around 1.3 million hectares in the next 20 years. The overall investment needed to achieve this target was estimated at around US$ 1.4 billion.

The strategy identifies four different types of plantations: Commercial and industrial plantations; Plantations for energy; Community plantations; and plantations for Conservation. The first type would by far be the biggest and was estimated to create at least 250 000 jobs. According to the strategy provinces in the center and northern regions of the country would be most suitable for the establishment of plantations of fast growing species.

Despite the considerable economic opportunities that these investments represent, experiences so far clearly indicate that industrial plantations often lead to the loss of access to land by local farming communities. Even though communities initially accepted the establishment of plantations, they soon complained that the plantations were expanded to lands not originally agreed, thus leading to a limitation of land needed for local land use such as agriculture. In some areas this led to an unstable food security situation. Greater local control over the way in which plantations are established and over who benefits from their establishment, is clearly in the interests of local farming communities.

Mozambique has adopted very progressive legislation on lands and forests which not only creates conditions for stimulating investments through securing rights to land and forests, but also for providing opportunities for local communities to equally have access to productive land. There are specific provisions in the land legislation that open opportunities for communities to delimitate, demarcate and

formalize the rights to land while also acknowledging the right of occupancy. In addition, the forest legislation also acknowledges the community rights for accessing productive forests. These provisions form a strong basis for exploring more inclusive business models in both agriculture and forestry that can deliver growth as well as alleviate poverty and contribute to sustainable environment. In effect this is aligned with the one of the key pillars of ILCF – that is securing commercial forest rights. While it is important for investments and investors to have security of tenure in order to commit capital for long term, different ownership and business models can be explored to meet the objectives of the companies and local communities.

Given the goal of the GoM to increase forest plantations, as well as the considerable interest by local and international investors, there is an urgent need to quickly establish satisfactory locally controlled models for sustainable forest and plantation management, building on close collaboration between all stakeholders (communities, business/investors and local government). Such models should enhance economic outcome and opportunities for smallholders, local communities and business interests and thus have the potential to become long-term and sustainable (economically, environmentally and in terms of local livelihoods and food security).

2. Investing in Locally Controlled Forestry (ILCF)

An international process hosted by The Forest Dialogue and involving 11 dialogues worldwide has confirmed evidence of the substantial gains to poverty reduction and forest protection that can come through Investing in Locally Controlled Forestry (ILCF). Working together, family, community and indigenous forest rights-holder groups and investors defined what was meant by Locally Controlled Forestry:

"The local right for forest owner families and communities to make decisions on commercial forest management and land use, with secure tenure rights, freedom of association and access to markets and technology".

During that dialogue process, more than 400 participants also identified four key pillars of ILCF including securing commercial forest right; developing business capacity (including access to technology and markets); organization of producer/outgrower associations to strengthen negotiating power in markets and with decision-makers; and accessing fair asset investment. Putting in place these four pillars in countries such as Mozambique will help to ensure that investments achieve both poverty reduction and forest protection.

In the Mozambique province of Niassa there has been an influx of large private sector forestry (and agricultural) investments during the past decade that have included a strong focus on forestry plantations for future export of wood and pulp production, sometimes alongside parallel interest in support to small forest enterprises (e.g. Finnish and support channeled through IFC) – but which have also included forest related tourism investments (e.g. Lipilichi wilderness and Niassa Reserve), agricultural investments with some agroforestry components (e.g. the South African sponsored MOSAGRIUS and the Brazilian sponsored Moz Cerrado agreement) and REDD+ related investments (e.g. the French sponsored WWF and FFI pilot investments).

Some of these forestry investments have, however, received a lot of attention from civil society organizations who claim to varying degrees that the allocation of land has not always respected prior claims by existing communities, that the consultation processes between investors and communities have sometimes been insufficient or have failed, and that local people and interests have lost rather than gained livelihoods and economic opportunities.

To establish sustainable forestry at scale, *a win-win situation* for all involved stakeholders must be achieved. For this to happen, it is necessary to build and secure the confidence of the stakeholders through credible and transparent principles for *governance* of lands and forest rights. Constructive dialogues between smallholders and the business sector and investors can pave the way for sustainable *partnerships* based on trust.

Examples of important issues that often have been subject to conflict are: frequently unclear land tenure arrangements (for the smallholders as well as for the land investors); weak participation of local

communities in consultative processes to do with land and forest use; lack of information on market prospects; exploitative business arrangements that handle local people as cheap labor rather than co-partners in business development and; often unrealistic expectations on the economic gains of all the involved stakeholders. Unfortunately, such problems often remain unsolved during implementation of the different forms of forestry investment ventures.

In recent year's different tools for facilitating and safeguarding of more stable and credible conditions for ILCF have been developed within different global processes. Examples are:

A. "Assessing and Monitoring Forest Governance" (WB/Profor) http://www.profor.info/knowledge/defining-forest-governance-indicators ;
B. "Investing in Locally Controlled Forestry" (The Forest Dialogue, TFD) http://pubs.iied.org/13565IIED.html?c=forestry ;
C. "Voluntary Guidelines on the Responsible Governance of Tenure" (Committee on World Food Security CFS, and FAO) http://www.fao.org/docrep/016/i2801e/i2801e.pdf

In Mozambique, these (and other) guiding tools could selectively and proactively be used for establishing ILCF opportunities and for implementing "real life models".

In accordance with the basic principles of ILCF that are reflected in the above tools, it is important to channel enabling investments (in securing commercial forest rights, building business capacity and strengthening enterprise-oriented organization) such that sustainable forest management becomes profitable for local smallholder and community organizations – and that these are investible – that is to say offer reasonable returns at acceptable levels of risk. Making such enabling investments requires work at three different levels, i.e. (i) work with the *government* to secure locally controlled forest rights; (ii) work with *smallholder's and local communities* to build business capacity and organization and; (iii) work with *business partners* (large, medium and small) to broker fair deals that benefit all parties. The challenge lies in the *balancing of the different interests* and opportunities such as: for the protection and development of local livelihoods; for sustainable economic conditions and safeguarding of investments; for increased resilience and improved environmental conditions; for the promotion of the future opportunities for women; and for the enhancement of income and employment within the SMEs.

To explore the potential of a full scale and longer-term Swedish support to ILCF in Niassa along the above lines and as reflected in the three above processes, Sida and IIED has decided to launch *a joint strategy study in Mozambique*. The study will feed results and findings into Sweden's bilateral strategy work in Mozambique planned to be carried out during 2013; contribute to the development of Swedish support to real-life LCF-models including collaboration with the private sector, civil society and the GoM; feed ideas and methodology into other bilateral strategies that will be developed in parallel to the work in Mozambique; and tentatively facilitate opportunities for longer term institutional collaboration between IIED and Sida in this thematic area.

3. The study

During 2013 the Government of Sweden (GoS) will develop a new *country strategy* for bilateral development cooperation with Mozambique. The current country strategy provided guidance between 2008 to 2012 and has been extended until the new strategy is in place during 2013. The current cooperation areas are:

- reduction of poverty through budget support;
- democratic governance;
- economic development;
- research.

By drawing on passed and on-going experiences in Mozambique as well as from international work and processes, this study will provide strategic innovative ideas and recommendations that may be relevant for feeding into Sweden's new country strategy for Mozambique. The point of departure values for the new type of result based strategy/contract that will be set up are not ready yet but the preliminary information received is that it will relate to "innovative rural development with special focus on private sector to increase productive employment" and MDG 7.

The study should further analyze different aspects of ILCF in the context of Mozambique; build on other work supported by Sweden, Finland, IFC, the Forest Connect alliance and others; and include the following dimensions:

A. *Economic and Social dimensions;*

- *Local income generation, enhancement of local business capacity, and opportunities for partnerships with the private sector*:
  Opportunities and challenges for smallholders/communities/other local stakeholders, generated by sustainable forest and plantation management (including agro-forestry practices) as well as market access; enhancement of business development and availability of necessary financial services; attraction of investors to support sustainable business cases and for harnessing potential spin-offs from SME development.
- *Job creation through private sector-community/association partnerships*:
  Opportunities for development of sustainable forest-based businesses with potential effects on job creation (taking into consideration the current work force and training needs as documented in a recent study on capacity development of vocational training in the Niassa forest sector, financed by the Swedish Embassy)
- *Social and economic capital development through association:*
  Opportunities afforded by associations for networking and advocacy, scale efficiencies and or partnerships with large scale investments in the province – including access to technology, access to capital and fair markets.
- *Impacts on livelihoods*:
  Implications (positive and negative) for local stakeholders with regard to on-going and planned forestry investments
- *Building of transparency and trust*:
  Options for safeguarding of sustainable and socially responsible forestry investments within the framework of government policies, by enhancing the collaboration between smallholders, local stakeholders and the business sector/investors.

B. *Environment dimensions;*

- Assessment of environmental implications and resilience effects.
- Assessment of the coherence with broader national aims of reducing emissions from deforestation and forest degradation, and integrated and intensified land use.

C. *Sida's Strategic Considerations:*

- Considering available Swedish policies and strategies, analyzing the relevance and viability of options for different forms of LCF-interventions in the forthcoming Swedish country strategy for Mozambique.

4. Scope of work

The study will be implemented as part of the active framework cooperation between Sida and The International Institute for Environment and Development (IIED). The idea is to explore possibilities for creating "win-win" models for partnerships between local rural stakeholders, private sector interests and the government. The strong combination of IIED's global analytical capacity and experiences in terms of new and innovative ideas and concepts within this thematic area, and Sida's capacity through the Swedish Embassy to bilaterally support the implementation of such models at the national level in Mozambique (Niassa), will be explored and utilized during implementation of the study and tentatively beyond.

The study will be carried out by IIED in close collaboration with relevant authorities in Mozambique, and in close co-ordination with the Swedish Embassy in Maputo. The work should be guided by the appropriate policies and guidelines of the GoM and the GoS. The study should include close consultation with private sector actors and civil society organizations.

At a general level the study should tap learning's and experiences from on-going and planned activities and relevant cases in Mozambique. The study will specifically take stock of already on-going and

planned Swedish support in the Niassa province and seek synergies both with that body of work and with relevant parallel investments by other donors and banks (such as the IFC).

Since the early 1990's Sweden is financing the Malonda foundation in Niassa which has been facilitating investments in the forestry, agriculture and tourism sectors. Early-on, Malonda acted with a broad mandate: as an investor, as facilitator for access to land (through government decisions) and for the development of know-how and contacts with local communities. In Niassa, this broad mandate probably contributed to the speeding-up of forestry investments in particular. However, since mid-2010, Malonda has narrowed down the focus to a more facilitating role with the main task to attract more investors and business service providers to Niassa and to improve the business environment and matching it with community consultations and better relations with local communities.

Sweden also finances projects run by the Swedish Cooperative Centre (SCC) which has a local office in Lichinga. The activities include the setting up of a new natural resources program with the aim to increase farmers' productivity as well as their rights to resources (including land). SCC is part of the AGIR program that Sweden is financing to strengthen civil society organizations that work as "watch dogs", following up the GoM's work with poverty reduction. There is also on-going Swedish support to the road sector in Niassa (Lichinga – Pemba) and some rural electrification projects around the town of Cuamba.

During May-June 2013, the Swedish Embassy intends to carry out a separate consultancy study with the aim to explore possibilities to continued support small farmers productivity and market integration in Niassa. Focus will be on addressing current bottlenecks (in agriculture and market access) and infrastructure (energy, feeder roads, irrigation). It is hoped that the current IIED study will overlap and coordinate its work with this consultancy-study.

5. Expected outputs

One main report containing:
a. *Relevant strategic findings* and analytical observations for the Swedish Embassy to consider in the work with the development of the country strategy;

b. *Recommendations* to the Swedish Embassy on critical areas and arrangements that could provide input to the strategy work as well as in the planning of future projects and programs. The recommendations should be based on a sound analysis of relevant policies and guidelines of the GoM and the GoS. Particular focus should be on effects and implications related to in relation to i) economic opportunities and ii) environment and climate change;

c. *Options for innovation* and long term-support from the Swedish Embassy to smallholders and/or their supporting representatives (including associations, civil society, government organizations and potential private sector partners), that may have a positive impact on economic opportunities for the smallholders (with particular attention on recommendations on how to integrate and focus on women), other local businesses and stakeholders.

d. *Ideas and thoughts* in relation to a) tentative findings and recommendations that could (should) be utilized at a general level in other country contexts (or globally) or b) tentative findings and recommendations that may be possible to feed into the broader framework of the IIED – Sida framework collaboration from 2014 onwards.

6. Reporting

The Study will be carried out as part of the framework agreement between Sida/Global and IIED (f.y. 2013). Main contact for implementation of the study at Sida/Hq is Sida/Progsam (Per Björkman). In Mozambique the Swedish Embassy is the main contact (Annlouise Olofsson) and it is expected that the study team coordinates with the Embassy throughout the assignment.

The IIED team will commence work in Mozambique with a briefing meeting at the Swedish Embassy in Maputo.

An inception report (not exceeding five pages) will be presented to the Swedish Embassy in Maputo within two weeks from commencement of the study.

A main report as above (the final version to be submitted to the Swedish Embassy and a copy to Sida/Hq latest 30 June). Annexes should include different options for concrete long-term program collaboration in Mozambique (c. above) and as under d. (section 5) above.

All documents should be written in English. If necessary, translation into the Portuguese language will be carried out through the Swedish Embassy.

A debriefing session based on a draft report will be held with the Embassy before departure from the country.

7. Timing

The assignment shall commence in Mozambique at the latest by 29 April 2013. The duration shall be maximized to eight weeks and final reporting should be carried out at the latest by 30 June, 2013.

The detailed plan of the study is presented in the table below. Two field visits are envisaged. The first visit will be for collecting data from stakeholders in order to inform the drafting of the report and a second visit for sharing the findings and provide an opportunity for stakeholders in Niassa and Maputo to make further input to the final report. This will be achieved by having two separate missions from IIED each involving one researcher who will work with the country partner.

Activity	April				May				June			
Inception report				x	x	x						
Field work							x	x				
Report writing								x	x			
SIDA review										x		
Field visit – discuss draft report											x	
Finalization of report											x	x

This report summarises a strategic assessment of the potential of different options for investing in locally controlled forestry (ILCF), with a strong focus on local enterprise development. It looks in particular at the Province of Niassa in Mozambique.

This assessment has its origins in mutual engagement by both SIDA and IIED in a dialogue process on ILCF. The process brought together more than 400 investors, local right-holders and forest experts from across eleven different locations, to advance understanding on ILCF.

Project materials

Forests

Keywords:
Forestry, investment and trade, local organisations

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