

# Supporting small forest enterprises

Reports from the field



# Mozambique



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## Report on Forest Connect Mozambique



**Centro Terra Viva (CTV)**  
**International Institute for Environment and Development (IIED)**

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## Acronyms

CGC	Conselho de Gestão Comunitária
CIP	Centro de Integridade Pública
CTV	Centro Terra Viva
DNFFB	Direcção Nacional de Florestas e Fauna Bravia
DNTF	Direcção Nacional de Terras e Florestas
FC	Forest Concession
FGLG	Forest Governance Learning Group
IIED	International Institute for Environment and Development
IPEME	Instituto para a Promoção das Pequenas e Médias Empresas
JA!	Justicia Ambiental
NTFP	Non-Timbr Forest Product
REDD+	Reducing Emissions from Deforestation and forest Degradation
SMFE	Small and Medium Forest Enterprise
SPFFB	Servicos Provinciais de Florestas e Fauna Bravia
SL	Simple License
UEM	Universidade Eduardo Mondlane

## 1. Institutional history

IIED's Forest Team engagement with Mozambique began in January 2002, with a two year policy support process to the multi-donor ProAgri programme based at the then Direcção Nacional de Florestas e Fauna Bravia (DNFFB) – later to become the Direcção Nacional de Terras e Florestas (DNTF) – the national directorate of land and forests. At that time, the main legal frameworks had only just come into being, with the 1997 Land Law, the 1999 Forestry and Wildlife Law and the 2002 forest regulations. Teams of local consultants worked with provincial forest and wildlife services (SPFFB) to consult both the private sector and community groups in forest areas in all 10 provinces about a series of issues (see Macome, 2002; Macome et al. 2003; Maculule and Cuco, 2002; Maculule, 2003; Mangué et al. 2002). One of these issues involved the prospects for supporting efforts at community forestry and the community structures through which such support could be operationalised. The main conclusions from those consultations were summarised in Nhantumbo and Macqueen (2002). While the Land Law had given self-defining communities land use rights by dint of their historic occupation of the land, the Forest and Wildlife Law restricted commercial timber use to 'concession' or simple licence' procedures that were proving onerous for community groups. In 2002, a firm recommendation was to strengthen the capacity of Community Management Committees (CGCs) to develop required natural resource management plans based around commercial interest groups (for example, for charcoal, honey production etc. – but normally excluding timber).

From 2004 onwards, IIED strengthened its engagement with Mozambican institutions through the Forest Governance Learning Group (FGLG) and continued to explore how to increase benefits from sustainable forestry to community groups with DNTF, the Universidade Eduardo Mondlane (UEM), Justiça Ambiental (JA!), Centro De Integridade Publica (CIP) Terra Firma and latterly Centro Terra Viva (CTV). Notable report such as Johnstone *et al* (2004) highlighted the various ways in which communities were expected to benefit under the legislation in force: subsistence level use of the resources; participation in co-management; community consultation and approval prior to allocation of exploitation rights to third parties; development benefits derived from exploitation under a concession regime; return of earmarked 20 per cent of forestry tax revenue to the communities; and 50 per cent of the value of fines received by the individual contributing to law enforcement. New guidelines were prepared to try and enhance the benefits that communities received from timber concession allocations in their land area (Joaquim *et al.* 2005).

Given the dearth of direct support to community forest enterprises in Mozambique, IIED approached CTV in 2007 with a view to launching Forest Connect. CTV is a non-governmental organisation which works on good environmental governance and sustainable management of natural resources. In the latter programme area, CTV aims to implement sustainable income generating projects based on natural resources. With a substantial track record in such issues, CTV were felt to be an obvious candidate to explore how better to support small forest enterprises within Mozambique. Work commenced in May 2007 and, despite attempts to secure further resources, concluded through lack of further funding in March 2011.

The management of Forest Connect within CTV took place through a lead staff member within the programme on 'Sustainable Management of Natural Resources' under the overall direction of CTV's Executive Director. The programme has worked in close collaboration with the government's programme for small enterprise support (IPEME).

## 2. Activities

From May 2007 until end March 2008, the main focus of Forest Connect work within Mozambique was to conduct a wide-ranging diagnostic of the challenges and constraints of small and medium forest enterprises within Mozambique. The resultant report (Nhancale *et al.* 2008) noted that across Mozambique's 55.3 million hectares of forest, enterprises were flourishing amongst the 70% of the population who live in rural areas. SMFEs (with less than 50 employees) comprise 95.8% of the formally registered enterprises in the forest sector but more than 99.9% of the enterprise numbers if one includes estimates of informal enterprises. SMFEs also account for more than 80% of the employment in the forest sector. It was estimated that there was widespread informality (estimated at 90.9% in agriculture and forestry) – where the benefits of formal registration are not perceived to outweigh the costs. In 2006 the forest concession (FC) legislation had not allowed the emergence of a vibrant SMFE sector, but more than 630 Simple License (SL) operators were established with an annual license to extract 500 m<sup>3</sup> of timber, most of which classified as SMFEs. Despite the fact that 180 communities had delimited lands by 2008, only three of the SL operators were registered to community groups. In terms of poverty reduction, potentially much more significant is the large number of rural people who supply timber informally either to FC or SL license holders or to middlemen or local carpenters. Primary wood processing enterprises include about 123 functional sawmills – many of which may qualify as SMFEs, although data is lacking. Moreover in 2011, there were estimated to be at least 127 registered carpentry workshops – but probably much higher numbers of local and informal carpenters.

Existing legislation still envisages community based natural resource management as a process of subservient partnership between external forest enterprises and community management committees (CGCs). FC and SLs are obliged to negotiate access and benefit sharing with communities – but there is often only token observance. With only one enforcement agent per 78,015 hectares there is little real prospect for government authorities ensuring that communities get a fair deal from partnerships with the timber industry.

In terms of impacts on poor people livelihoods, the trade in Non-Timber Forest Products (NTFPs) was highly significant, predominantly based around honey, handicraft, charcoal and firewood. Approximately 6,850 formal NTFP-based SMFEs and 189,000 informal NTFP-based SMFEs existed in those categories. Some were managed by the 225 CGCs and interest groups across the country. There are also several other categories of NTFP such as medicinal plants, grass products, bamboo and forest foods, which were found to be extensively traded but much more difficult to find data on. Also important were ecosystem service enterprises (for example, 19 game farms that rely on forest resources and a further 10 coutadas – areas set aside for controlled hunting). In addition, there are numerous tourism ventures (including three community owned tourism enterprises) which qualify as SMFEs and three community based carbon sequestration projects managed by Envirotrade Ltd.

Within Mozambique, there were found to be a wide range of programmes to support SMFEs in government, civil society and private sector initiatives. But many of these are short term and limited in coverage and there is consequently widespread ignorance of these programmes at district level. SMFEs use formal banks almost exclusively to deposit savings rather than apply for credit. Weak business management, administration and planning, coupled with a lack of recognised collateral (due to insecure resource tenure) are major impediments to loan applications. A more coordinated effort to develop business skills and capacity among SMFEs was felt to be urgently needed.

Nhancale *et al.* (2008) concluded that the abundant forest resources within Mozambique had not yet translated into a profitable and sustainable SMFE sector. There is a general need to devolve greater commercial rights to forest dependent communities (especially for timber production) alongside

programmes to develop their business capacity around particularly promising sub-sectors. Efforts to catalyse more productive forms of collective action by SMFEs involved in those sub-sectors were also felt to be a priority. SMFE groups needed assistance to better link them to markets and financial or business development service providers. Forest Connect responded by helping CTV to develop as an institutional centre with the mandate to pursue such an agenda.

In July 2008, the team from CTV participated in the first international Forest Connect workshop to discuss what modular guidance might help institutions such as theirs to better support small forest enterprises (see Macqueen and Morrison, 2008 – <http://pubs.iied.org/pdfs/G02295.pdf>). It was agreed that the international Forest Connect alliance together with CTV would develop 16 modules of guidance on supporting small forest enterprises and that CTV would assist with practical testing and enriching of that toolkit.

In parallel with those developments, CTV began a second phase of Forest Connect work in April 2008. Building on research in the first phase that helped to increase the visibility of the small and medium forest enterprise (SMFE) sector within Mozambique, the aim was adjusted to “increase the level of organisation and connectedness of members of ‘Forest Connect’ (SMFEs) to markets, service providers and policy processes”. This involved a shift in emphasis towards practical attempts to help SMFEs connect to markets, service providers and policy processes. In making these practical attempts to help, the Forest Connect team from Mozambique at CTV also agreed to document their attempts and contribute to a toolkit for ‘facilitation of support for small and medium forest enterprises’ – taking part in international meetings to develop such a toolkit.

By late 2008, the CTV team had conducted detailed value chain analyses of 13 small forest enterprises in Manica and Sofala (along the main Beira development corridor in the centre of the country). They included seven bamboo furniture enterprises, five small-scale timber enterprises and one honey production enterprises in their analysis (see Figure 1).

**Figure 1. Examples of enterprises for which value chain analyses were carried out.**



From the value chain analyses of these enterprises (see Dista *et al.* 2008) – key constraints were identified. For bamboo furniture producers, these included the conservation through sustainable harvesting of the bamboo stands, the scarcity of (and therefore need to cultivate) bamboo resources, the lack of appropriate harvesting equipment, the lack of an association to share costs and negotiate better sales prices, and the lack of investment funds for critical items such as transport. For sawn timber producers the scarcity of natural resources was the main constraint, with safe harvesting equipment and investment in transport also considered critical. The honey producer spoke mainly of lack of funds to purchase filtration and packaging materials. External observation also indicated record-keeping and accounts as a critical area for all groups.

In response to this analysis, the team at CTV drew up a list of next steps – which included: (i) the facilitation of association building; (ii) capacity building through business and technical training, from account keeping to sustainable forest management; (iii) partnership with local authorities to improve the formal registration of new business associations; (iv) exposure of entrepreneurs to new ideas and product designs through regional trade fairs; (v) assistance with marketing and publicity; (vi) setting up a mobile network to make use of better market information; and (vii) engagement with potential financial agencies to explore investment in transport and equipment.

In April 2009, a third phase of Forest Connect work began. Using the prioritisation that had taken place through the diagnostic and value-chain analysis phases the team at CTV chose to focus in on two groups of small scale entrepreneurs, bamboo furniture / household items producers and craft groups working with coconut fibre (a relatively abundant resource in the Beira corridor). Within these two subsectors they worked with two types of institutional arrangement: (i) associations of producers from the same community (for example, the Bambu Association in Barue); (ii) Natural Resources Management Committees, the formal local structures who represent communities overall management of natural resources.

For Bamboo furniture / household items producers groups, the team wish to promote more efficient, sustainable and value-added use of bamboo to increase local incomes and encourage environmental protection. Assistance was given for the local producer groups to constitute and legalise their associations. Training courses were facilitated on the integrated use of bamboo (such as plantation techniques, handling, processing and commercial product development). Negotiations were made with the government support agency for small enterprises (IPEME) to set up a demonstration centre for bamboo in the region. The impact of these interventions was seen in the increasing diversity of product on the market and increased family income.

In terms of coconut fibre products, the aim was to make use of an available resource in order to reduce rural poverty. The first step was to facilitate space and logistics for five community associations to form and become legal entities. Training courses were given on the sustainable use of natural resources. An expert was brought in to give training on the integrated use of coconut products. Exchange of experience visits were organised between the community associations so that each group could see the innovations in the practice of other communities. The CTV team also assisted the associations to participate in trade fairs and exhibitions to show and sell their product (see Figure 2).



**Figure 2. Examples of products on display in regional trade fairs.**



As part of their membership of the international Forest Connect alliance, the team from CTV participated in the second international Forest Connect workshop in Addis Ababa, Ethiopia in early 2011 to present modular components that had been adopted and used in Mozambique (see Macqueen and Rolington, 2011). Several modules of the Forest Connect toolkit now have examples from Mozambique produced by the team – for example in the modules on: (i) Concluding background diagnostics; (ii) Product development; and (iii) Strengthening community enterprise organisations (see Macqueen *et al.* 2012). A further phase of work to continue support to these new enterprise associations in Manica and Sofala had eventually to be suspended due to financial tightening following the economic crisis. The team at CTV have however been actively engaged in the development of Mozambique’s national REDD+ strategy and have tried to advance the idea that support to sustainable small forest enterprises would be an excellent way of helping to encourage forest protection and even forest restoration.

### 3. Impacts

As noted in section 2, many of the opportunities for small forest enterprises that benefit the poor in Mozambique are restricted to the NTFP sectors. This is primarily because of the way in which the Government of Mozambique has chosen to restrict commercial timber rights through the FC and SL allocation regimes. With such a high proportion of Mozambique population in rural areas, suffering such widespread poverty, it is hardly surprising that the numbers of NTFP enterprises – in which people try to improve their household income – are high. Estimates of 189,000 informal NTFP-based SMFEs are probably a considerable underestimate if one considers the extent of informal trading of products collected and sold in rural markets across the country.

Forest Connect work has been hampered on the one hand by the sheer scale of the task at hand, and on the other by the limited financial resources and huge geographical extent of Mozambique (in which travel costs are very high). Early on in the Forest Connect project it was decided that practical enterprise support work would have to be limited to one particular region of the country. In order to help scale-up such activities it would be necessary to partners with the state agency for support to small enterprises (IPEME).

A first area of impact has been on the increased visibility of small forest enterprises that has been brought about by the publication of Nhancale *et al* (2008) background diagnostic on SMFEs. Discussions and debates that form a regular part of the work of CTV have been used to highlight the opportunities for local communities to make better commercial use of natural resources.

A second area of impact has been on the partnership that has been created between the CTV team and IPEME, which has led to increased support to small forest enterprises – both within the plans of that institution, but also through practical project-type interventions such as the development of a bamboo furniture / household items demonstration area in the Beira corridor.

A third area of impact has been on the entrepreneurial capacity and networks that have been developed by entrepreneurs in the bamboo furniture and coconut product sectors of Manica through the direct facilitation work of the CTV team.

Finally, and perhaps most importantly, the combined effort of the team and other partners have led to an increasing diversification of product designs, a perceptible improvement in product quality and higher prices that have translated into improving household incomes for members of newly established bamboo and coconut product associations.

#### 4. Benefits of the alliance

The members of CTV have been part of the Forest Connect alliance since its inception. Staff have participated at both of the international Forest Connect learning events – helping initially to shape what guidance modules were to be developed with the toolkit, and then helping to test out the modules in the toolkit. Through that process of field testing of the modules in the toolkit, the CTV team have contributed their own experiences – sharing them with other small forest enterprise support agencies in the second international Forest Connect workshop and contributing case study boxes for the final toolkit development.

#### 5. Future vision and sustainability

Centro Terra Viva has a strong internal commitment to the pursuit of the sustainable management of natural resources and to implement sustainable income generating projects based on natural resources. The link with the Forest Connect alliance has allowed CTV to access funds to pursue this internal mandate while also sharing experiences with institutions implementing similar activities in many countries.

In terms of a vision for the future, CTV intends to pursue two main objectives:

- i. Strengthen the production capacity of Small and Medium Forest Enterprises for the coconut tree and bamboo in Zavala and Báruè

Following the past Forest Connect activities, CTV will review the current conditions of the coconut tree and bamboo SMFEs and analyse areas where they are need of support. To strengthen and support the SMFEs by identifying personnel to train them in the use of bamboo and coconut tree as well as assist in the commercialisation of the resulting products. CTV will also facilitate in purchasing the necessary equipment and the construction of processing of bamboo fibres and the coconut tree.

- ii. Document and promote experiences of SMFE's based in forest plantations

CTV will visit these SMFEs, and their respective forest plantations, document and promote experiences as a means to encourage replicating these environmentally sustainable and responsible means of generating income. CTV will also use the information collected to produce pamphlets and brochures. Forest degradation and deforestation are a concern for CTV, thus his activity will help in its aim to conserve forests and reduce carbon emissions.

- iii. Integrate support for small forest enterprise in on-going work to enhance forest governance

CTV continues to play a key civil society role in monitoring and advocacy relating to improving forest governance within Mozambique. In particular, CTV is helping to monitor the actions of the timber trade, assess and monitor the situation on biomass energy (charcoal and fuelwood) and make inputs to plans for the development of strategies and pilots for Reducing Emissions from Deforestation and Degradation (REDD+).

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