

# CORPORATE ENGAGEMENT PROJECT

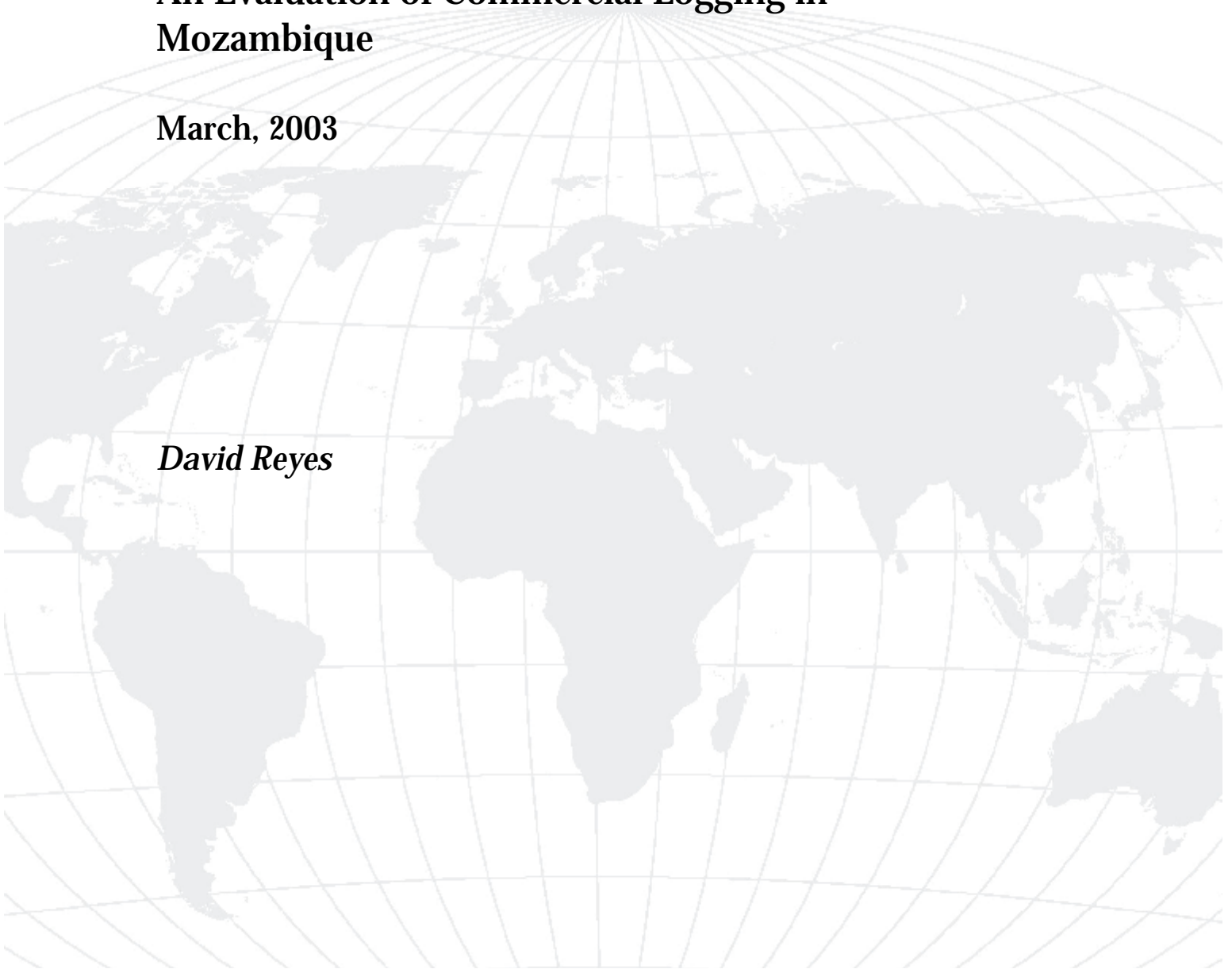
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## Field Visit Report

### An Evaluation of Commercial Logging in Mozambique

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This document was developed as part of a collaborative learning project directed by CDA. It is part of a collection of documents that should be considered initial and partial findings of the project. These documents are written to allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written.

**These documents do not represent a final product of the project.** While these documents may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project's findings cannot be made from a single case.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience and insights for these reports, and for their willingness to share their experiences.

Not all the documents written for any project have been made public. When people in the area where a report has been done have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those documents private.

## **I. Introduction.**

This study was undertaken with the general goal of identifying any conflicts or social tensions that are associated with the ongoing commercial exploitation of timber resources in Mozambique. An attempt was made to find and understand those aspects of logging activities serving to either divide or connect the various stakeholders. Very little outward conflict was observed. Rather, current conditions in the logging sector are better described as tense just beneath the surface showing significant potential for future conflict. In other words, there are indications that animosity and frustration are emerging among Mozambican communities as the ill-planned and intensifying timber harvest provides them with few present benefits and little hope for the future. However, the shape these sentiments are taking is limited to verbal complaints expressed during interviews and a few unconfirmed reports of apprehended illegal loggers who were later released by Mozambican authorities. The greatest point of tension is perhaps between local nongovernmental organizations, which are increasingly active in their efforts to mobilize communities against logging practices they consider unjust, and those profiting from the status quo.

As with most conflict analyses, understanding the factors at play in Mozambique requires first developing a sense of how history influences the present. This is followed by a brief profile of the country's forests. Next, the study highlights key legal structures pertaining to commercial forest exploitation. Governance, taxation and remedies are the topics of section V and are followed by an overview of logging activities in section VI. The next three sections look at the problematic issues associated with logging in Mozambique, the extent to which this industry corresponds with the CEP's general experience, and how a general analysis such as this one might lend itself to specific recommendations. The final section is a general comparison of this study's findings with the results of a similar evaluation done by a CEP team in Cameroon.

The study itself was conducted in February 2003 and was comprised of several dozen telephone and personal interviews of various stakeholders in Maputo, the country's capitol, as well as in Zambézia Province, which had been identified in preliminary research as the area of the country most likely offer the fullest range of experiences and perspectives on the impacts of commercial logging. Interviewees included: senior level civil servants and advisors to the relevant ministries at the national, provincial and district levels; donor government advisors working in the areas of forestry and treasury; national and regional staff of international and Mozambican NGOs; the general and operations managers of two large logging corporations; and, the general population of several communities where logging activities are ongoing.

## **II. History<sup>1</sup>**

*[T]he turbulence of contending groups was to make Mozambique one of the least peaceful regions of Africa and was to give it a legacy of war, slavery, misery, and turmoil that has lived on into the present.<sup>2</sup>*

The Portuguese began their efforts to colonize Mozambique in the late 1400's, competing with Swahili-Arab traders for control over economic resources while taking measures, often brutal, to subjugate the resident Bantu tribes. For several centuries, the difficulties in establishing and retaining direct authority drove Portugal to rule indirectly through a system of land estates, or *prazos*, either granted by the crown or taken by conquest and governed essentially as fiefdoms. The consolidation of power under this system was limited to the individual holders of the *prazos* who were under no constraint with regard to the means and methods of exploitation employed. As European nations vied to extend their colonial holdings in the late 19<sup>th</sup> century, Britain and Portugal concluded a treaty establishing the present borders of Mozambique. The lines they drew encompass 16 main tribal groups.

Coincident with the drawing of these borders was a series of military campaigns by Portugal known as the 'pacification campaigns.' They were a concerted effort to put down any would-be tribal assertions of autonomy and to consolidate Portuguese authority once and for all. These harshly effective campaigns were followed on, with Antonio Salazar's 1920's rise to power in Portugal, by general policies of exclusive Portuguese investment and exaggerated colonial repression. From this time until the independence of most of Portugal's colonies in the mid-1970's there were essentially no pretences of social investment in the indigenous populations. Ordinary Mozambicans, for all intents and purposes, had no access to education or health care, and no hope of economic or social advancement. Meanwhile, they were largely stripped of their African identity, most being given Portuguese surnames instead.

In 1960 a peaceful protest in the north of the country about taxation resulted in Portuguese troops killing many of the protesters. Known as the 'Mueda massacre' for the community where it occurred, this helped catalyze the emergence of Frelimo (the Mozambique Liberation Front) in 1962. At this time Portugal's economic influence and political power was strongest in the south extending out of Maputo, the country's capitol. The north, where the capitol had been until 1902 and where the economy had been strongest, felt the most marginalized by Salazar's regime. This made it easiest for Frelimo, despite tracing its ideological origins largely to the patriarchal chiefdoms of the south, to gain the most ground in the matriarchal north. By 1966 Frelimo controlled roughly one third of the north implementing a semblance of Marxist government. Between this time and the fall of Salazar in 1974 the war carried on with little change in the respective control of either side. With its resources severely burdened and Salazar gone, Portugal soon relinquished title to its colonies precipitating the nearly immediate withdrawal of all skilled administrators and professionals as well as the destruction of what little infrastructure existed.

Thus, with Mozambican independence in June 1975, Frelimo came to power over a territory in a dire economic condition and with essentially no institutions of governance. Establishing ties with the USSR and East Germany, Frelimo embarked on ambitious programs to educate the country's people and nationalize its economy. However, while all land became government property, some private interests were allowed to continue operating much as they had done during colonial times. The reasons for this are not clear,

but these colonial holdovers continue to play an important role in the forestry sector today.

The main player in this sense should help to illustrate: one (non-Portuguese) European company, which is a current forestry concession holder is said to have been established in the early 1900's when it became engaged in plantation-system agriculture. Upon independence, it was apparently majority owned and/or financed by private European interests, in contrast to Salazar's general requirement that business interests be exclusively Portuguese. However, the company was and continues to be managed by Portuguese individuals. Accounts suggest that the company was not nationalized either because of this European involvement or because Frelimo understood the risks of lost productivity that might flow from nationalization. Current facts imply that the land itself was expropriated, but that the company was allowed to retain its other assets, including a sawmill, and to continue with its operations. Under current law, the company does not own the land where it cultivates palm oil and coconuts, nor the game reserve it manages, nor the 100,000 hectare concession from which it harvests timber. The nature of its usage of these areas might be described best as a kind of unconditional long term lease arrangement wherein the company retains near total autonomy.

What little economic success and distribution Frelimo achieved in the years following independence was concentrated almost exclusively in the South, with limited exceptions being found in the extreme north. With most of the country's population located in the country's center, there was a widespread sense of abandonment. This was exacerbated by Frelimo's patriarchal roots that contrasted largely with the center-north's matriarchal traditions. These factors were exploited by the emergent Mozambique National Resistance (Renamo). Renamo was established with the support of Rhodesia in the mid-1970's. It had no clear agenda other than the destabilization of Frelimo. Renamo gained territory within Mozambique despite not having much popular support. Instead, it simply faced less opposition from populations that were more ambivalent than would have been the case had Frelimo managed to fulfill more of its promises.

By the early 1980's the situation was made worse by draught and famine. Frelimo found itself engaged in what had grown from a limited civil conflict into a nationwide civil war against Renamo. Consistent with its goal of destabilization, Renamo recruited by force, targeted and destroyed civilian infrastructure, and gained infamy for its terrorizing tactics. For the most part, Renamo lacked the military capacity to take larger towns, generally opting instead for a strategy of control over the countryside. As a result, the civil war was one that wreaked its greatest havoc on rural populations. Frelimo also employed methods of terrorizing noncombatants as it tried to undermine perceived support for Renamo. In effect, this became an extremely violent power struggle that decimated peasant populations who owed no real allegiance to either side.

The rural and indiscriminate nature of this 17-year war had the effect of preventing any noteworthy commercial logging activities. Renamo might have fueled its war efforts with the sale of valuable timber, but Frelimo controlled the ports and thus the most economical access to lucrative markets. And, as both sides fought constantly for

control of the countryside, destroying transportation infrastructure in the process, the movement of a cumbersome commodity such as timber was virtually impossible.

Global political changes in the late 1980's meant the conflict was to become less of a war by proxy. Frelimo abandoned its Marxist strategy for a market economy as the Soviet Union collapsed. Renamo, owing most of its direct support to South Africa since the elimination of Rhodesia, as well as indirect support traced to the United States, found itself opposed to ideologies no longer holding power and without international backing. A formal peace accord was achieved in October 1992, followed by relatively clean elections in 1994 and more contested voting in 1999. Frelimo continues to hold power, including the Presidency, while many speculate that Renamo is poised for significant gains in the near future.

This tragic historical legacy dominated by repression and war for over 500 years seems to have manifested itself in a majority population with little sense of its rights and no real political representation. This is perhaps best indicated by the role taken on by organizations such as ORAM (Rural Organization for Mutual Help), which receives praise and financial support from international agencies for its work in holding seminars nationwide that teach people about their rights under the land and forestry laws. Still though, when villagers were asked what recourse they had against the uncompensated depletion of their home-forests, they literally raised their hands in the air saying that without money, they had no recourse.

Many Mozambicans are noticeably meek, bordering on submissive, in the presence of people in positions of authority. One career development worker made a comparison with Namibians immediately following apartheid. There is a striking degree of complacency as communities watch their forests disappear. In other words, the study uncovered no reports of group protests, no stories of sabotage, and no accounts of police responding to unrest of any form. Instead, people simply shake their heads, shrug their shoulders and explain how they perceive the situation to be unfair but intractable. This is striking, but perhaps not surprising, as it fits squarely within the patterns of their centuries-long experience. Yet, there are those who see the continuation of these historic patterns of exploitation as unjust and are beginning to mobilize and agitate in an attempt to win a more equitable distribution of the country's natural wealth. They appear to be random individuals in rural communities for whom the efforts of activist NGOs like ORAM have been influential. They are few in number and, as yet, not on the radar screens of companies or government. It remains to be seen what effect they will have.

### **III. The Forests<sup>3</sup>**

Mozambique's commercially viable forests cover an estimated 25% of the country's total land area, or 19.2 million hectares. These woodlands do not have the type of closed canopy characteristics associated with Africa's tropical rainforests. Rather, Mozambique's forests are more savannah-like and are far less dense with marketable trees. One professional logger estimates that the density of commercially valuable

hardwoods found in Mozambique is about one tenth that found, for example, in the Congo Basin forests. The same individual explained that each tree tends to be significantly smaller and to grow slower. Mozambique's most prized tree, a species of African mahogany, might yield a maximum of three cubic meters of wood per trunk, or less than one third the yield of a comparable species from a Congo rainforest. While these factors would tend to make exploitation less profitable, it is also true that the nature of these forests makes it somewhat easier to find, access and remove the valuable trees than in the more jungle-like conditions found closer to the tropics.

In a country where roughly 80% of the population lives in rural areas, traditional livelihoods are enormously dependent on the forests' non-timber products. Mozambicans rely on woody biomass for nearly 85% of their total energy consumption, amounting to about 20 million cubic meters consumed per year. Furthermore, there is a heavy dependence on the forests for food staples such as manioc, game meat, edible insects and mushrooms; for generating revenue through the sale of goods such as honey, cashews, artisan crafts and charcoal; for medicinal plants; and, for the replenishing of soil nutrients as subsistence farmers rely on a system of shifting slash and burn agriculture to maintain productive fields.

It is also worth noting here that the majority of the Mozambican population remains in permanent settlements dispersed widely throughout the country's forests. This is in marked contrast to what was observed by the CEP team in Cameroon, for example, where colonial policy had been to relocate people from the forests to roadside communities. The exceptions in that case were the pygmy populations who, in relatively small numbers, continue to live a nomadic existence relying on hunting and gathering for their survival. The problem there being that as the wild forests disappear, so too do the pygmies. The effect in Mozambique is that a much higher percentage of the population lives in isolated forest communities that are directly dependent on access to surrounding forest resources and the health of forest ecosystems for survival.

#### **IV. Legal Structures**

There are two key legal structures that govern and protect forest resource stakeholders. They are Mozambique's land law, promulgated in 1997, and its 1999 forest law. Prior to implementation of the 1997 land law, roughly 75% of arable land was controlled by less than 1% of the country's population. The role of the land law, for the purposes of this study, is essentially to outline the conditions under which a broader range of individuals and communities can gain long term usage rights of land, all of which remains the legal property of the state. It basically allows forest dwelling communities free access to use and otherwise exploit the land and its resources for *non-commercial* activities. In other words, it is the mechanism recognizing the rights to habitation and subsistence livelihoods, making it possible for people to sustain themselves without owing the means to such a small number of individuals. To the extent that it has taken genuine effect, this law represents a long overdue end to the *prazo* system referred to above.

The Forest and Wildlife Act of 1999 is, in sum, legislation meant to make the exploitation of these resources more sustainable while providing a more effective structure for the generation and distribution of related tax revenue. As noted above, timber resources were, for the most part, not exploited during the civil war. However, after the peace accord timber represented, and still does, a means of generating significant foreign currency with minimal capital investment. Until the 1999 law, up to 500 cubic meters of timber could legally be cut per year by anyone who paid a small fee to obtain what was called a simple license. Officially, these licenses could only be held by nationals, were good for one year and allowed that the timber be taken from large, ill-defined land areas. No management plan as such was required and abuses, including illegally obtained licenses, false licenses, over harvesting, and harvesting outside the permitted boundaries were apparently quite common. The new law retains the simple license system (including most of its shortcomings), adding to its requirements, however, that a management plan be approved and observed.

The 1999 law also creates a new exploitation regime allowing for logging by way of a forest concession contract. According to the law, forest concession agreements can cover up to 100,000 hectares with no explicit annual harvest limit and can last for up to 50 years. And, concessions should be available to any individual or group of individuals including Mozambican communities and foreign nationals. Concessions also require implementation of an approved management plan that must be presented within 180 days from the granting of the concession. Furthermore, the law calls upon concessionaires to process the wood they harvest prior to export and it provides that concessionaires may process, under contract, the produce of simple license holders.

Explicit protections for local communities under the forest and wildlife law are quite strong. The rights of third, or non-contracting parties are explained in Article 18:

Forest exploitation. . . should always safeguard all rights to third parties existent in the area being exploited as well as safeguarding unimpeded access by the local communities into the area being exploited and including use rights of the natural resources which these communities need for their subsistence.

The concession regime also mandates consultation with potentially affected communities *prior* to awarding a contract. The same is not true of the simple license system. This consultation must be done through local government administrative organs and is commonly understood as giving communities something akin to a veto power over the allocation of a concession. The actual text, however, is more ambiguous on this.<sup>4</sup> What seems to occur in practice is some form of meeting between district or provincial level government officials, lower to mid-level company representatives and community representatives who may or may not actually speak for their communities, depending on which accounts one relies on.

These few brief paragraphs obviously do not cover in much detail the complex regulations bearing on forest exploitation, but they should suffice to give the reader a



sense of how Mozambican law attempts to address some of the issues that arise as logging activity continues to expand.

## **V. Governance, Taxation and Remedies**

### **1. Structure of governance.**

As noted above, Mozambican law provides that the state retains ownership of all land and that logging takes place under one of two permitting regimes. Administering the exploitation of forest resources falls within the purview of the Ministry of Agriculture and its National Directorate of Forestry and Wildlife (DNFFB). Each province (the country is comprised of 10) has a Provincial Directorate of Agriculture with its Provincial Service of Forests and Wildlife (SPFFB).

Provincial level governance is executed by a Provincial Governor, District Governors, and Administrative Posts, each with an appointed Head of Post. This is the lowest level at which the central government provides salaries. Then there are the localities which overarch small communities and villages. These are governed largely by structures without formal governmental support that include elders who, presumably, enjoy the respect of their communities.

Concession contracts of up to 20,000 hectares and all simple licenses can be authorized at the level of Provincial Governor without the involvement of the national government. Concessions ranging in size from 20,000 to 100,000 hectares must be approved by the Ministry of Agriculture. The basis for granting a concession begins with a direct request presented to the provincial director of forestry by those who seek it. This should be followed by a number of steps including an estimated timber inventory and the community consultation process explained above. After the consultation a more detailed topographic representation of the area, its population and its timber should be forwarded along with plans for the operation of two sawmills. Analysis of these materials is done at the provincial level. Meanwhile, the proposal is made public in national newspapers. Depending on the size of the possible concession, authorization is granted or denied at the level of Provincial Governor or the Minister of Agriculture, as explained above. What actually takes place is less definitive. For example the detailed timber inventories would call for a substantial expense for the would-be concessionaire prior to having any guarantee of a return. Thus, these inventories, by and large, have not been required. The inclusion of sawmill plans may or may not happen, but a general shortage of functioning mills at least indicates a lack of implementation. There is no mention of how monitoring might take place.

### **2. Taxation and Fines**

Regulations subsequent to the Forest and Wildlife Act of 1999 create a licensing fee structure and divide Mozambique's 118 commercially valuable species of trees into five categories for purposes of taxation. The first category classifies certain species as "precious" and, as the name implies, covers the most rare and valuable types. All others

fall within classes numbered one through four based on their relative scarcity and commercial value. Levels of taxation depend on species classification.

Taxes are levied based on the harvester's total volume of timber cut and are controlled by roadside checkpoints where government controllers track timber volumes by category, check licensing compliance and levy fines. In an attempt to rectify past problems with corruption, the new regulations provide that controllers receive certain percentages of the fines they impose. While government would describe these efforts as a qualified success with room remaining for improvement, most other observers express doubts about the efficacy of not only this, but all attempts to limit corruption.

The 1999 law calls upon "all citizens [to] collaborate in exercising the vigilance needed for. . . reporting offences to the nearest authorities."<sup>5</sup> It goes on to state that "anyone who had the legal obligation to collaborate in exercising vigilance but did not do so [shall] have to answer for an offence committed."<sup>6</sup> However, in none of the interviews conducted did anyone mention these provisions. Whether this was the result of simple oversight or lack of awareness is difficult to say.

The regulations also provide that 20% of the tax revenue derived from timber exploitation in inhabited areas be reinvested in affected communities. However, as yet there is no implementation structure. This was explained as resulting from political wrangling in Mozambique's legislature between those who feel the need to put the law to more practical use and those with contrary objectives.

### 3. Remedies

Where communities feel that their rights have been violated or they wish to expose some form of transgression, their first recourse is to the level of Administrative Post. The Mozambican legal structure precludes direct access to the country's court structure in the event of some perceived damage, injury or other abuse. The discretion over whether to allow such complaints to be pursued any further appears to rest solely with the Head of Post, an appointee salaried by the national government.

## **VI. Logging Activities**

### 1. Stakeholders

Within the forested areas of Mozambique there exist a large number of localities, which are essentially small towns with a basic roadside market, possibly a health post and a school. Above it was explained that these are governed somewhat informally by leaders chosen from within who then act on behalf of the locality. Of particular importance here, these are the individuals who have the authority to sign off on the terms of consultations prior to the granting of a concession. However, the locality includes those villagers resident in the area's forests even though these villages may be at a considerable distance

and access to the town may be quite difficult and infrequent. In other words, the extent to which villagers are represented by locality leadership is questionable.

Those engaged in logging cover a broad range of individuals. On the capital side there are foreign and Mozambican nationals with an overt presence either as concessionaires or simple license holders. The largest among them seem to be holdover enterprises from the colonial era with mixed multinational ownership. There are also large numbers of foreign nationals who are present more in the shadows as the financiers of simple license operations and, reportedly, of unpermitted, illegal harvesting. Wage earners with technical skills include those who run logging equipment and those involved with the oversight of operations. These people are almost exclusively from outside the communities where logging occurs. Unskilled wage earners come from the affected communities. They generally cut underbrush and do most of the physical labor including the manual loading of logs onto trucks. For this they are generally paid about 85 cents per day, an amount which they feel is too little, but which corresponds with there being a large labor pool and very few jobs. In other words, people complain about the pay, but no one turns down the work.

Then there are those who are not employed but depend directly on the forests for their livelihoods. The methods and intensity of logging activities can bolster some aspects of a local economy while undermining others. For example, wage earners can provide an increased market for locally produced goods, while on the other hand, those who depend on the harvesting of game or medicinal plants may find these things more difficult to come by. As a general category, affected communities who, by legislation, are to receive 20% of tax revenues derived from their forests, clearly have a significant stake – a stake they have yet to see and it remains unclear how, if at all, this will be implemented.

Forest-related civil society in Mozambique seems to be reasonably well developed. This may be due partly to the fact that, as one NGO director put it, “donors love Mozambique.” So too, apparently do many ex-patriot development professionals who have lived and worked in the country for decades. This donor affinity and the presence of numerous ex-patriot specialists, particularly within national NGOs, would imply that there is no real shortage of financial support or expertise, and indeed this appears to be the case. Both government officials and logging managers express a considerable amount of contempt toward environmental NGOs and organizations working on issues such as land tenure and rights education. For instance, NGO workers have apparently received threats for continuing with their work and, in conversation, operations managers make a deliberate attempt to discredit the need for such work.

And, of course, many levels of civil servants associated with forestry must be counted among the stakeholders.

## 2. Harvesting

The methods of harvesting timber in Mozambique vary greatly according to the scale and capitalization of operations. Compared globally, Mozambican operations tend

to be rather labor intensive. The large scale exploitation of a concession area is likely to involve modern equipment, although there still seems to be nothing on a par with harvesting in the more productive forests of West Africa, for example. At the other end of the spectrum operations can be as rudimentary as the felling of trees with handsaws and the removal of trunks literally by rolling them through the forest to the nearest road.

There is no requirement for the replanting of forests, nor do any of the operators or the government seem to be engaged in any sort of significant forest regeneration efforts.

### 3. Transportation

Again, depending on the level of financing, larger operations will use tractors to remove logs from the forests and to assist with loading them onto trucks, which then rely on a network of narrow dirt pathways to get the logs to roads and eventually to mills or shipping ports. Most logging occurs in areas with numerous streams and rivers. Trucking therefore, is dependent upon bridges, the construction and maintenance of which is apparently not considered the responsibility of logging operators. Smaller operations still rely on trucks for transport out of the forests, but are more dependent on manpower to move and load logs after felling.

### 4. Transformation and export

The 1999 law stipulates that concession holders must process their harvest in accordance with subsequent regulations. The pertinent regulations were issued in 2001 calling for the in-country transformation of all but two of the 'precious' species, but enforcement is lagging. Depending on who attempts to explain this, versions range from it being too soon to expect genuine enforcement, to the operators being opposed to this requirement and effectively lobbying to have it be ignored indefinitely. Interviewed concessionaires stated that they only mill timber when they have a specific order for lumber. Such specific orders tend only to be for domestic construction markets and are relatively rare.

Otherwise, concessionaires say they sell whole logs for export, almost exclusively to Asian buyers who then ship to Asian cities for milling and wholesale, usually for the fabrication of furniture, also in Asia. Loggers and villagers alike believe the main consumer markets for these products to be in the United States. Simple license operators are under no legal transformation obligations and apparently sell the majority of their harvest whole to the same Asian buyers.

Nevertheless, Mozambique is said to have something in the vicinity of 90 sawmills. Many, however, were imported as second hand equipment from Portugal prior to 1975. They are in disrepair and generally produce lumber that is substandard for international markets. Some of these mills may, in fact, result in lost value resulting from poor quality control and wastage. Operators have been actively lobbying the government

to rethink its transformation policy based on their contention that the investment required for modern milling would not yield sufficient returns to justify the costs.

## **VII. Problematic issues associated with logging**

Most interviewees, from high level forestry officials to logging operations managers to affected villagers, agree that the methods and increasing intensity of current timber harvesting must come under tighter control very soon. Otherwise, the sector is likely to see irreversible deforestation, a corresponding collapse in the revenue it generates, and untold damage to forest communities. However, this is the limit on uniformity with regard to opinions about the impacts of logging. Some commentators, particularly within government, voice a high level of optimism founded on the relatively recent legal regime and its strongly-worded protections of both the environment and third parties. Operators display a higher level of skepticism combined with ambivalence. Their apparent preoccupation with maximizing short-term profit exposes what seems to be a lack of interest in the potential for medium and long term returns on higher levels of capital investment. Local NGO's and the donor community are the most outwardly frustrated by what they perceive to be a dangerous disregard for sustainable forestry practices and the interests of local communities. Their efforts range from lobbying for and assisting with the large scale inventorization of timber resources to grassroots workshops informing villagers of their rights under the land and forestry laws. Those who reside in the forests and depend on them for their livelihoods are not ignorant of their plight, but they are also not opposed to logging. Rather, they would like to see something of equal value returned to them, but they are generally not aware of any recourse when they receive little or nothing. It seems unimaginable to the average affected villager that she or he could challenge the status quo. And, as discussed above, those few complaints that do get made tend to be shelved at the Administrative Post level. NGOs pushing for more community activism are steadily spreading their efforts, while the effect remains to be seen.

With such a diversity of perspectives, it is inevitable that a number of problematic issues would arise surrounding forest exploitation. The following points reflect a consolidation of the personal accounts provided during stakeholder interviews:

- No meaningful difference between concession and simple license exploitation.

The concession regime was intended to tighten restrictions relative to those imposed under the simple license system. However, concessionaires are allowed to exploit the vast areas allotted to them in a manner reminiscent of the simple license system. In other words, they proceed with the harvesting and sale of timber without having presented a management plan; they do not, for the most part, transform their harvest prior to sale and export; nor do they replant, claiming that cost, opportunistic farmers and the reproductive characteristics of the trees make this unrealistic; extra-area logging is reportedly a problem as is over-harvesting; and, community consultations, if they occur at all, simply elaborate promises that never get fulfilled. Moreover, the volume harvested is much higher than the 500m<sup>3</sup> annual limit under a simple license. One

concessionaire operating this way cut about 1,600m<sup>3</sup> last year. Nevertheless, affected communities appear to remain complacent, content for the moment to have jobs while expressing fears about the future once the trees are gone.

– Local hiring based on bribery.

Villagers explained how loggers arrive in an area to begin cutting and make it known that laborers will be needed. The operator will generally place a Mozambican in charge of choosing the workers. Vying for jobs, people offer livestock and other scarce valuables in exchange for work. The result is that those villagers who can afford to pay the most are most likely to get jobs. This system fuels animosity between villagers competing for jobs, but again, manifestations of this are limited to verbalized discontent expressed in a way meant not to challenge those individuals who get the jobs. Rather, most blame is directed toward the operator, yet no action is taken.

– High-level corruption.

To paraphrase what an NGO worker said, ‘the land may be owned by the state, but the state also has its owners.’ One large logging company, a holdover from colonial times, is said to own a provincial governor’s house. Whether this is true or not is secondary to it being a commonly held perception among people living in the area. One interviewee explained how a provincial director of the forests and wildlife service acted to remove a number of illegally held and used licenses only to receive a call from the national level threatening his job and instructing him to reinstate the licenses.

– ‘Gold fever.’

A logging company operations manager admitted that current methods and harvest levels are unsustainable and that they do little if anything to account for the long term needs of forest communities. He then went on to describe the operating environment as being akin to ‘gold fever’ where everyone rushes madly to maximize their profits on the exploitation of a finite resource. Community members participate in the frenzy by obtaining simple licenses, often with the backing of foreign nationals, or by logging without a license and selling the trees to license holders. It is said that an unlicensed villager living outside a concession area can easily borrow a chainsaw from the concessionaire so long as the latter has exclusive buying rights over the harvested trees. People living both within and outside concession areas seem to accept this practice as a reasonable way of supplementing otherwise meager incomes.

– Low motivation and/or capacity for enforcement.

The head of one local NGO says he had to provide a district director of forests with a copy of the new forest and wildlife regulations. The forestry taxation and fine structure is heavily dependent on the effectiveness of roadside checkpoints between the areas where logging occurs and privately owned ports. However, many of these checkpoints are manned only in the daytime. A number of people explained how trucks

heavy with logs simply line up along the roads waiting for checkpoints to close and then proceed unimpeded to the ports. Communities talk of how complaints lodged by local leaders about illegal logging simply disappear at the Administrative Post level. And, some communities allow unlicensed operators to log in their areas without notifying authorities in exchange for cash, jobs or both. However, low levels of rights awareness and population density in most forested areas means that the distribution of benefits flowing from such a practice is limited to those who are directly involved.

– Very poor or non-existent communication between operators and villagers.

While the granting of a concession requires prior consultation with potentially affected communities about their concerns and expectations, it is the government that bears responsibility for these interactions. The operator should be represented, but community members complain about how representation tends to come in the form of an individual who lacks deal-making authority. As a result, concession agreements proceed without operators taking on any meaningful obligations vis-à-vis the affected communities. Other villagers lament that community leaders have negotiated away their forests in exchange for gifts such as a bicycle or food. Concessionaires admit that they often arrive in areas to begin harvesting and find villagers who have heard nothing of the concession. When problems arise after operations begin, such as the inadvertent destruction of crops as a result of tree felling, communities apparently find it impossible to speak with people at a level within the company who can make reparations. In short, there is essentially no channel by which affected communities can communicate directly with operational decision makers.

– No community investment.

Forest communities explain pragmatically that the exploitation of timber is inevitable. What troubles them most is receiving nothing in return. Ideally, this concern would be addressed by two elements in the forestry law: first, the 20% of tax revenue slated for reinvestment in affected communities; and second, the management plan which would outline, among other things, community development projects. However, despite the ongoing efforts of local NGOs, many affected communities remain unaware of their legal entitlements, probably due to a combination of geographic isolation, illiteracy and a lack of motivation on the part of government to have informed village populations. In reality no one, not even government interviewees, could name a single location where the 20% had reached a community. The relatively recent enactment of implementing regulations was offered as an explanation of this, yet donor advisors and NGO workers express the alternate opinion that authorities are stalling implementation because they profit from the status quo. Furthermore, the great majority of concessionaires are being allowed to operate without a management plan (accounts vary, but something in the vicinity of 5% of all concessions are operating under an approved management plan). To the extent that the government is collecting taxes on timber, it has little incentive to give up 20% of this revenue as directed by the affected communities distribution plan. Communities are either not aware of this right or are not vocal about it. Perhaps this is because without political representation or accountability villagers find no effective

avenue to make the demand. Again, they remain complacent. Furthermore, villagers tend to have no accurate sense of the value of the resource. One donor organization conducted an informal survey which suggests that a villager will sell a whole tree for about 10% the market value of a single plank from the same tree.

– Threatened livelihoods.

Despite it being possible under the law and having been attempted at least once, no community holds a concession contract over its surrounding forests. The community of Nhafuba in Zambézia Province voiced its concerns to the provincial head of forests about a concession being granted to a large logging company without adequate consultation, requesting instead that the community itself be given the concession. The community reportedly never received a response to its petition. The logging company was subsequently awarded the contract and not long thereafter closed community members out of the forests despite their retention of the legal right to continue using the forest for subsistence purposes. The company explained that commercially valuable resources including plantation coconuts were being stolen. Eventually, with the help of a local NGO, a temporary settlement was reached with site managers allowing for re-entry. Neither the NGO nor community members were able to speak with company directors. This solution left no means of ensuring that the same situation will not arise again.

Nhafuba was the sole community mentioned during interviews to have made such a relatively brazen attempt to assert its rights. This apparently had much to do with the direct involvement and support of knowledgeable NGO staff. Whether comparable efforts will become more common in the future will depend on a number of factors including: donor support for the NGOs; donors encouraging local government to give serious consideration to community requests; and, a general commitment to more effective implementation of third party legal protections.

Community access will be moot, of course, if the ‘gold fever’ mentality discussed above is allowed to deplete the forests to the extent that subsistence and sustainable commercial exploitation are no longer possible.

– Damage to critical infrastructure.

There is apparently no expectation by government that logging companies will build or maintain transportation infrastructure. The requirement for management plans, for example, makes no explicit call for operators to invest in road or bridge construction, nor does it require them to repair damage done to existing roads and bridges. One group of villagers explained how a light-duty bridge built with the assistance of an international NGO allowed them to reach the nearest town during the rainy season. However, the bridge was used by logging trucks weighing well over the bridge’s capacity. It wasn’t long before the bridge was destroyed beyond use. Rather than rebuild, the loggers began using a much longer route that avoided major water crossings. The added distance of this route makes it much more difficult for villagers to reach the town, sell their goods, buy necessities and access health care. The head of a large international NGO explained how



his organization, after experiencing similar problems, will not get involved with bridge projects now unless they first enlist the support of loggers.

– Foreign capital undermines local initiatives.

Many interviewees from among the full range of stakeholders asserted that the main source of problems was foreign financing of simple license-type logging. Numerous accounts were given of how Asian financiers provide the means for licensing, felling and transport to Mozambicans whose work ends once the logs are loaded onto a truck. Despite legal reform and other government-based efforts to the contrary, no value gets added in-country; employment opportunities are few, temporary and vastly underpaid; and, the nature of the markets for these trees makes applying consumer pressure for heightened social responsibility nearly impossible. Furthermore, concessionaires allege that it is common practice for a villager to cut a tree from the concession area and to sell it to one of these foreign buyers, fueling divisions between the concession holder and local villagers. Whether or not these divisions will lead to some form of open conflict remains to be seen.

– Differing perceptions undermine trust.

To hear government officials talk about the forestry sector one would think that current problems are few in number, not very serious and will be resolved in short order giving way to equitable resource distribution and sustainable rural development. The same discussion with foresters would lead the observer to believe that current global markets and the nature of the operating environment leave no choice but to exploit in a manner that largely ignores best practice standards. For many among the NGOs and donors, problems are numerous, grave and getting worse because simple licensing continues as in the past while the additional protections of concessions go unenforced. Meanwhile, communities are seen as the innocent victims of an unjust system that encourages exploitation without benefit distribution or effective legal recourse. As for the villagers, they see themselves as uninfluential elements in an exploitative system that will carry on regardless of whether they participate or not, so they take what they can.

As these actors hold fast to their respective versions of the situation, building trust, and thus collaborative solutions, will be difficult.

## **VIII. Testing against the CEP experience**

Thus far in its experience the CEP has identified four specific assumptions common among industry operators that lead to their having a problematic influence on a conflict. These assumptions reflect and encompass a much larger number of issues that arise repeatedly when corporations operate in conflictual settings.<sup>7</sup> The purpose of this section is to highlight how the study of logging in Mozambique weighs against this experience.

– Assumption 1: Community relations and/or community development programs are the solution to existing and potential corporate-community tensions.

It is difficult to say with certainty whether or not commercial loggers in Mozambique operate on this assumption. While corporate investment in community relations programs is minimal, there are indications that such programs are viewed as the antidote, should tensions pose a greater hindrance to continued operations in the future. In other words, as forest exploitation expands, the limited mechanisms that are being considered to address community concerns all focus on community development-type projects. There seems to be no weight given to the idea that the manner in which operators interact with communities could be altered such that the interests of both sides would be integrated into operational strategies. Furthermore, loggers see their goal of maximizing short term cash flow as being at odds with the interests of forest communities that would like to see some of this cash returning to them in various forms. This precludes the possibility that coordinated efforts could result in the greatest benefit for both groups. Instead, as problems begin appearing on the horizon the default approach is to be prepared for more spending on community relations projects. One example of this was found where the concessionaire discussed above that experienced theft has since embarked on a community school construction project, providing materials transport, paying block makers and arranging for the purchase of cement. These efforts were described by the company's operations manager as an effective response to the problem.

– Assumption 2: Cash solves all problems.

Use of the word “all” here makes the assumption problematic. For instance, local NGO leaders active in teaching people their rights under the land and forestry laws claim having received death threats. Whether credulous or not, the very idea indicates a conception of problems and problem solving that goes beyond throwing money around. Nevertheless, in a place where companies explain the system as functioning on the principle of “no bribes, no progress,” where mid-level civil servants live fairly lavish lifestyles despite earning official salaries that can barely pay for rent and food, and where community leaders sign off on consultations in exchange for a bicycle or foodstuffs, there is clearly a pattern of paying to avoid and resolve problems. And, there are no signs of alternate approaches, as communities simply do not feel they can effectively demand more access to company managers who remain reluctant to engage in dialog.

– Assumption 3: To engage in genuine consultation with affected communities is to invite a stream of insatiable demands.

It seems fairly obvious that this holds true for loggers in Mozambique, for such consultation seems to occur in name only. The consultations required by law prior to the allocation of concessions are orchestrated by government and are apparently attended by company representatives who lack the authority to commit the company to any meaningful obligations vis-à-vis the community. Promises made go unfulfilled. When asked why they do not get more involved in consultations, operations managers defer to the forestry law which clearly places the onus of consultation, in a narrow sense, on

government. Again, companies see their interests as being counter to community interests. They fear, therefore, that the community's demands would somehow handicap the company.

– Assumption 4: Engaging with local government constitutes “political interference.”

The Mozambique study differs from many other CEP studies in several important ways. One difference is that the context in Mozambique is not one of outward political conflict where engaging with one side might lead to a company's concerns about getting embroiled in that conflict. Mozambique's historical influences also make it quite unique. The Portuguese colonial legacy, followed by Frelimo's attempts at implementing Marxism, make it a place where the lines between the spheres of politics and private enterprise are unclear, if they exist at all. Moreover, the multinational enterprises operating in Mozambique's logging sector are not, at least currently, subject to the kinds of pressures that might otherwise discourage political interference. As a result, there is overt political engagement with a view toward maintaining a kind of neo-colonialistic socio-political climate that allows them to continue with business as usual. This is not to say that this assumption is inaccurate for Mozambique. Rather, the logging sector in Mozambique shows that corporations will engage politically to whatever extent such engagement suits their perceived interests, while failing to manage this engagement in a way that might also result in longer term benefits for the general population.

## **IX. General analysis and recommendations**

### **1. Analysis.**

At the risk of oversimplifying a complex set of issues, it seems obvious that the asset liquidating business strategy that is the norm among loggers in Mozambique is pushing the country toward a crisis. While responsibility for this is spread across the spectrum of stakeholders, it is the operators who most directly control whether such a crisis will be diffused or ignited. A resource that could be an engine for sustained economic growth and long term corporate revenue generation is instead being cashed in without reinvestment. This shortsightedness appears to be an element, if not the root of most problems.

Commercial logging in Mozambique is oriented around maximizing cash flow. Why this is the case is not clear. It has been over 10 years since the end of the war and there have since been no noteworthy outbursts of violence. For roughly the same period a market economy has been gaining a firm foothold. Four years ago the forestry law was fundamentally reformed to facilitate large scale, longer-term harvesting. And, there are no other indications that Mozambique represents a high risk environment for private investment. Yet, the exploitation of Mozambican forests is patterned as if the risks of political turmoil or economic collapse were high. The resource is being converted into cash as quickly as possible and with a bare minimum of capital investment. As a result, logging practices are unsustainable and social benefits flowing from timber sales are virtually non-existent.

To an outside observer this sort of wholesale liquidation of assets makes business sense only for a corporation with immediate cash flow problems, and even then it may not lend to recovery. Indeed, the country's largest colonial holdover company is rumored to be bankrupt, but it is difficult to believe the same is true for all companies active in the sector. A more plausible explanation is simply that old habits are hard to break. Business is being done this way because business has been done this way. It would be a shame if communities had to lose their livelihoods or some form of more acute conflict had to erupt before a more enlightened business model were adopted.

## 2. Recommendations.

The following recommendations, formulated solely by the author, are directed mainly toward those developing and applying business strategy in Mozambique's logging sector. In other words, because the CEP aims to help managers design and implement tools that will allow them to connect and otherwise coexist with communities prone to conflict, these recommendations are meant foremost for logging managers. However, it seems reasonable to expect that government, donors and civil society will identify ways of adapting these recommendations to their activities as appropriate.

– Replant. A fifty year concession guarantees exclusive rights to exploit timber for a period long enough to justify investment in replanting. Furthermore, while the law does not require an operator to replant, there are tax benefits to doing so. If villagers come in after logging to use the land for farming their incentive is sustenance. Given that wages in the area are about 85 cents per day and people want little more from companies than jobs, it does not seem unreasonable that people could be hired to work on forest reproduction projects and thus be deterred from destroying saplings. Careful species selection and management would ensure revenue generation well into the future with relatively little output.

– Build bridges, literally and figuratively. Consider the destroyed bridge example noted in section VII. International NGOs have shown a willingness to invest in bridge building. They understandably do not want to see their investments destroyed nor do they want to pay the higher price of building for the increased loads inherent to logging traffic. Rather than arrange for shared planning and costing with these NGOs, the logging company uses an alternate route that adds roughly 30km of dirt path in each direction. The villagers the company depends on for manual labor are incensed by the company's apparent disregard for their well being. For the cost differential between a lighter and heavier duty bridge, it would seem that over a reasonable period of time the investment could pay for itself.

– Design and implement effective management plans. Logging operators seem to view this legal requirement as a pointless burden, when in fact, the management plan should be viewed as an essential part of a logging company's business plan. How, for example, can a company expect to project future earnings and thus develop competitive strategy without first knowing its inventory, identifying its workforce, planning its investments, estimating its costs, and so on? The answer is simple. It cannot. In an industry like

logging where the resource is finite, failure to plan is the equivalent of planning for failure. The implementation of an effective management plan would provide the operator with the basis for future business strategy while also helping communities to participate in strategizing their own development. This more symbiotic relationship would prolong the profitability of forest exploitation in Mozambique benefiting all involved.

– Make fewer promises and keep them all. In interviewing villagers affected by logging, these people demonstrate an impressive level of pragmatism. They are not, for instance, idealistic about safeguarding the forests of their ancestors. They are concerned though, that the forests are disappearing to be replaced by nothing. What they want in exchange for the exploitation of the forests is primarily a good faith effort on the part of loggers to understand their interests and incorporate them into the management plan and the methods of operations.

– Encourage partnerships. Concession holders are currently struggling to ensure that villagers not cut trees from within their allotted area and sell them illegally to exporters. The villagers reportedly have two motives for doing this: the primary motivation is the money, and secondary is the desire to spite the concession holders. Ultimately, this benefits no one but the exporter. If concession holders were to communicate openly with villagers about the costs involved as well as the market prices, it should be possible to reach a deal where no one feels slighted, meanwhile undermining the parasitic exporter.

– Invest in milling capacity. This is tricky, as developing an overcapacity to mill the country's sustainable yield could provide an incentive for illegal, excessive logging. It could also fail to produce a reasonable return on the investment if initial calculations to determine the scale are wrong. Get the numbers right, however, and the profits currently being earned in places like Hong Kong would shift to Mozambique.

– Be transparent about interactions with government. Distrust is already problematic where the average person has no faith in the government to look out for her rights or interests. Corporations inherit the negative side effects of this when they allow themselves to be perceived as the 'owners of government,' and thus as being equally unconcerned with these rights and interests. But beyond trust, there is also the issue of cost. Corruption appears at first glance to be an efficient way of sidestepping costly regulations and time consuming bureaucratic hurdles. Over time however, the costs of fueling corruption invariably outweigh those of operating legitimately.

## **X. Comparison with Cameroon findings**

In March 2002 a CEP team conducted a study of logging activities in Cameroon that was similar in scope and methodology to the Mozambique study. While the two evaluations do reveal some general similarities regarding the impacts of logging activities on local conflict, what is most revealing stems from an analysis of the differences:

Whereas Cameroon has a colonial history of forest dwelling communities being relocated to roadsides to facilitate governance, the same is not true for Mozambique.

Thus, a higher proportion of Mozambicans continue to live in their ancestral forests and are therefore more likely to be confronted directly with the effects of logging. However, Mozambique's more placed constraints on logging that have not been present in Cameroon. As a result, the impacts and scale of logging operations in Cameroon are, at present, much more widespread. This may help to explain why sabotage and other forms of community protest against logging activities are more common, or at least more apparent, in Cameroon.

It was explained above that, despite legal requirements to the contrary, Mozambique has very limited operational milling capacity. On the other hand, Cameroon, having enacted a similar forest law five years earlier, suffers from an overcapacity. The forests of Cameroon are being depleted extremely fast and often illegally in part to justify the expenses of building and running large sawmills. In Mozambique the forests are being cut quickly but the logs are exported whole, perhaps because the loggers are concerned that, like in Cameroon, the milling requirement of the forestry law will actually be implemented. Or, just as likely, they are eager to generate cash as quickly as they can in accordance with the 'gold fever' mentality mentioned by one company manager. One lesson drawn from this should clearly be that as Mozambique moves toward more diligent implementation of the 1999 forestry law, it should limit milling capacity to levels that correspond with sustainable yields.

In some ways related to the issue of milling capacity is the role of the World Bank. The Bank was central in the drafting of Cameroon's 1994 forestry law. As a result, any shortcomings (such as the law's tendency to over-incentivize mill construction) are all the more difficult to remedy. The Bank apparently was not directly involved with the drafting of Mozambique's law. By extension, it should be *easier* for donors, NGOs and other concerned stakeholders to encourage the government of Mozambique to apply its forestry law with enough flexibility to avoid or correct any unintended negative consequences.

Cameroon's major logging interests tend to be of European origins and generally market their products in Europe. Thus, European consumer demands for increased corporate responsibility, combined with the influence of activist NGOs, are having a noticeable effect on the way these companies plan and execute their operations. The industry's best practices are still not the norm in Cameroon, but they are at least something that field managers recognize as one of the pressures influencing their operational strategies. The managers of a French company explained, for example, how Green Peace efforts to block shipments of questionably harvested lumber were having a dramatic effect on the company's profits. Such pressures are absent in Mozambique. While the principal end markets for products made from Mozambican lumber may be North American, the transformation of that lumber in Asia provides ample opportunity for 'laundering' the wood's origins. At present, loggers in Mozambique show no signs of altering their practices to reflect heightened, demand-side corporate responsibility standards.

The implications of this analysis are that those practices likely to fuel tensions among stakeholders are susceptible to some forms of pressure and not others. For example, a number of donors in Mozambique participate with the Ministry of Agriculture in a sector-wide program to stimulate sustainable development. Called PROAGRI, this provides a forum where donors could encourage the Ministry to more effectively implement the forestry law while bearing in mind that unforeseen problems may arise and will need to be addressed in a flexible manner. And, Mozambique still has the advantage of time since the extent of forest exploitation has yet to get to the point where frustrations begin to manifest themselves in destructive conflict. If Cameroon is instructive, the greatest risk of conflict may emerge after the industry has done irreparable harm. If social and environmental NGOs in Mozambique hope to benefit from consumer activism they will have to credibly show that specific consumer goods sold in places like the U.S. and Canada trace their lineage to trees harvested irresponsibly in Mozambique – a difficult challenge given the lack of transparency surrounding Asian exporters.

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<sup>1</sup> I do not pretend here to provide an exhaustive account of the country's complex history. Rather, my intent is to be as concise as possible while highlighting those elements of Mozambican history which appear to have had the most direct influence on issues related to forest resource exploitation today. Therefore, the aspects I have chosen to highlight and the perspectives presented are surely not complete, nor do they speak to the importance of other historical aspects or perspectives not included.

<sup>2</sup> Thomas H. Henriksen, as cited in, *A Different Kind of War Story*, Carolyn Nordstrom, p. 63 (1997).

<sup>3</sup> The information in this section comes from a combination of sources including interviews with communities and forestry professionals as well as the following documents: "Forest Harvesting Case Study 18: Commercial timber harvesting in the natural forests of Mozambique," FAO document, publication date not available, <http://www.fao.org>; "Country Reports – Mozambique: Current forest resource and market profile," The European Forest Institute, 1999, <http://www.efi.fi>.

<sup>4</sup> See Article 17.2 which reads in pertinent part: "The granting of a forest concession shall always be preceded by consultation with affected communities in the respective area..." And, Article 34: "It is obligatory to obtain an authorisation for the exploitation, commercialisation, utilisation as well as transporting... [sic] forest and wildlife products, according to the terms of the present law and the relevant regulation..." Nowhere is it stated that such a "granting" or "authorisation" shall be contingent on the communities' approval.

<sup>5</sup> Forest and Wildlife Act of 1999 at Article 37.2.

<sup>6</sup> *Ibid.* at Article 43(c).

<sup>7</sup> For *Issue Papers* and other documentation of the Corporate Engagement Project refer to the CDA website: [www.cdainc.com](http://www.cdainc.com)