

Assessment visit to Chikweti, Niassa

REPORT FROM THE JOINT DELEGATION VISIT 15-23 OCTOBER 2013



Contents

Preface	4
1. Introduction	5
2. Findings	7
2.1 Context	7
2.2 The past	8
2.2 The present	12
2.3 The future: Challenges and potential	15
3. Suggestions	23
4. Concluding reflections	26
Annex 1. Additional analysis: FSC and environmental issues	27
Annex 2. Additional analysis of issues relating to agricultural development	31
Annex 3. Terms of reference and members of delegation	33
Annex 4. Programme and people met	35
Annex 5. Excerpts from Chikweti presentation on Compliance & Sustainability	39

Preface

This report is the result of a visit to Niassa Province in October 2013 by a delegation from the Church of Sweden and two civil society organisations (CSO) actively involved in development and environmental work in Mozambique. The visit was a joint initiative of the Diocese of Västerås and the Central Board of the Church of Sweden within the scope of the Board overseeing the Diocese's management of donations made to the Church of Sweden.

The task of the delegation was to achieve a deeper understanding of the current situation in Niassa, and more specifically of the investment in the forestry company Chikweti via the Global Solidarity Forest Fund (GSFF), which has become a matter of great concern from a financial and ethical perspective. The investment has been criticised for unethical actions and has failed to meet the expected financial, environmental and social targets.

The Church of Sweden's financial policy is guided by Christian values, and the interpretation of 'profit' is ultimately related to goals of human development and international environmental and human rights norms as well as financial gain. Therefore, acknowledging suspicions of unethical actions in the Chikweti investment and the challenges of reconciling commercial operations, environmental conservation and community development in a single initiative – in the words of Bishop Mark Van Koevering of the Diocese of Niassa, "in a stool with three legs, each equally important" – the Church of Sweden asks itself the following: what is our role and responsibility as stewards of God's on-going Creation in this particular case, and how can faith-related guiding principles such as human dignity, justice and equality direct us in this critical situation?

In the work on this report we have tried to apply these principles. For the members of the delegation representing the Church of Sweden, this is a way to try to safeguard God's Creation and the position of humanity. We also acknowledge our own vulnerability and emphasise the sacred duty towards all that is created. Ultimately, we are accountable to God and to the men, women and children who have a relationship with the investment in Chikweti. For the Church of Sweden, this report and the related discussions will constitute an important

input into an on-going reflection on the potential and challenges of ethical business practices.

A number of different perspectives have been represented in the delegation: those of the investor in Chikweti and the board of GSFF; the leadership of the Diocese of Västerås; the Church of Sweden at national level; local and international development and environmental CSO:s agricultural development; and advocacy regarding the environment and corporate responsibility.

The delegation came to Mozambique and Niassa with widely differing knowledge, perspectives and sentiments about the investment in Chikweti and the role of the Diocese of Västerås. We met a large number of different stakeholders – CSOs and researchers in Maputo; representatives of local civil society in Niassa; the Chikweti management; local community leaders; a group of women, including one female community leader; and government representatives. We accessed the documentation from consultations that Chikweti had performed with local communities. We heard many stories, asked many questions, and had discussions with stakeholders and with our fellow delegates. We listened to discussions between local stakeholders and shared our reflections in the group.

Although still very shallow, our understanding of the situation and its complexities has somewhat deepened. The broad composition of the delegation helped facilitate our learning. We rediscovered the obvious: that dialogue and respect is the only way forward. And we could see that insufficient communication at all levels, from the ground in Niassa to the Church of Sweden, was part of the problem.

In this report, we make suggestions to the owners, including the Diocese of Västerås, and to other stakeholders. We hope that our analysis and suggestions may also be of interest not only to those interested in the operations of Chikweti, but also to those wishing to understand large-scale land investments in general.

The responsibility for the findings and suggestions in this report rests with the members of the delegation, not with the organisations we represent.

May 2014, *Members of the Delegation*

1. Introduction

The task

The Diocese of Västerås is one of the owners of the Global Solidarity Forest Fund, GSFF, an investment fund that is the majority owner of the Chikweti forest company. The investment in tree plantations is intended to yield financial returns for the investor and contribute to economic development in the region. However, Chikweti has not been able to deliver the expected results in terms of achieving financial, environmental and social goals. Furthermore the project has been the target of sharp criticism by local and international civil society organisations (CSO) and the media.

Following the critique, a public seminar on forest investments was organised by the Diocese of Västerås in June 2012, with representatives from the CSOs We Effect and WWF invited as speakers. A general sentiment arising from the seminar was that many of the issues that had been criticised have been addressed by the company following major changes in the management and policies of Chikweti in 2011. As a follow-up to the seminar, it was decided that a joint delegation from the Church of Sweden national office and Diocese of Västerås should go to Niassa to gain a better understanding of the present situation. The delegation visited Maputo and Lichinga (capital city of Niassa Province) from 15–23 October 2013.

The purpose¹ of the trip was to:

- *make a joint assessment* of the impact of the investment, including the critical issues that have been raised;
- *increase knowledge* about the current situation in the project area;
- *relate* Chikweti and the development in Niassa in general to relevant ethical frameworks (e.g. UN Guiding Principles on Business and Human Rights, Voluntary Guidelines on the responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security);
- *identify lessons learned* and areas for further development/improvement.

There are many limitations to this study, a few of which we want to emphasise here: the purpose was not to assess or comment on the general impact of large-scale tree plantations of exotic species in Niassa, and past events and decisions have only been studied indirectly.

The delegation's work

The delegation consisted of 11 individuals representing the Diocese of Västerås, the national level of the Church of Sweden, We Effect and WWF Sweden.

If no other sources are referred to, figures and other factual information on the Chikweti operations have been obtained directly from the company. Local stakeholders, including local CSOs ORAM, ROADS UCA and UPCN; the Chikweti management; and Bishop Mark Van Koeving of the Anglican Church have commented on a draft version of this report. The final version is, however, the sole responsibility of the members of the delegation.

The group would like to extend their thanks to all those who shared their time and insights with us, especially the offices of We Effect in Lichinga and Maputo, whose hard work on planning the programme made this trip possible, and the management of Chikweti, who shared their time with us in a very transparent and generous manner.

The representatives of the Church of Sweden would like to express particular gratitude to a former representative of We Effect in Lichinga, Kajsa Johansson, who spent her vacation participating in the trip and made an invaluable contribution to the work of the group.

Important changes in the company after the delegation's visit

In December 2013 the GSFF board had not been able to secure long term financing for the plantations at present level. It was therefore decided to reduce the activities to a minimal level until funds were secured. About 800 employees were given notice which would be effectuated end of March 2014. The plan was to have been able

1 For terms of reference and list of participants, see Annex 3.

to secure funds before the notices needed to be effectuated. However at the end of March a planned merger with Green Resources was not fully finalized. Since the negotiations were well advanced and all parties felt comfortable that the merger would be completed in the near future all 800 employees were offered to stay on an additional month for the situation to stabilize. Only 65 employees chose to stay, however, and by the end of April most employees, including managers, had left the company.

The first of May 2014 a final agreement between GSFF and Green Resources was signed. Green Resources will buy GSFF and pay with its own share. The Merger will create a sustainable entity that will lay the ground for

a continued and growing forest operation in Niassa and thereby a positive general development. Most of GSFFs shareholders including PLT and the Diocese of Västerås will for the time being stay as shareholders in Green Resources. Green Resources has FSC-certified plantation operations in Tanzania, Uganda and Mozambique and has a history of 15 years in forest plantation in east Africa.

As soon as the merger between GSFF and Green Resources was announced, Chikweti started to rehire giving priority to the former employees. The current assessment is that at least half of the previous number of employees will be needed.

2. Findings

2.1 CONTEXT

National

The population of Mozambique, which is growing by about 2.5 percent per year, is currently 25 million. Agriculture accounts for 32 percent of GDP and about 80 percent of the labour force is employed in agriculture, the majority through small-scale subsistence farming. GDP per capita is currently USD 542. GDP growth is rapid – between six and eight percent annually during the last decade. Poverty reduction has stagnated, however, and the level of human development is still low. The country ranked 185 on the 2013 Human Development Index list, the Democratic Republic of Congo (DRC) and Niger being the only countries having lower values. Income inequality is high.² The *number* of food-insecure people has actually increased in the last decade, although the proportion of food-insecure people has decreased from 45 to 37 percent. One major challenge is, therefore, to translate economic growth into human development – decrease hunger and poverty and improve health and education.

Economic growth is driven by a rapid increase in foreign direct investment (FDI) and official development assistance (ODA), representing about one third of the government budget. Investments are mostly concentrated in extractive industries (oil, natural gas and mining) but there are also sizeable investments in forest plantations and large-scale agriculture. According to experts that the delegation met in Maputo, FDI defines the pattern of virtually all formal investments in the country, i.e. private and public domestic investments.³ Almost all formal domestic business growth is linked to foreign investments, as suppliers of goods or, more often, services. One effect of FDI is that it is driving inflation, thereby raising the cost of living, especially in cities, and deepening poverty in several groups.⁴

According to analysts we met in Maputo,⁵ the political elite have strong links to the financial elite. Some political leaders have private interests, either directly in foreign investments or indirectly through suppliers to the investments. The result is an unfortunate blend of interests that undermines governance integrity and credibility.

In order to achieve more broad-based development in the country, it may be necessary to further diversify the economy, develop an institutional framework, and tax foreign investments so that the investments may benefit the whole population through investments in education, health and social protection. Transparency of contracts and fiscal agreements with foreign investors and efforts to combat corruption are also necessary steps.

Niassa

Niassa Province is the least densely populated province in Mozambique, with a population of 1.5 million. The population density is 11 people per m2 (compared to 22 in Sweden). The majority of the population live in rural areas and are dependent on agriculture and other natural resources for their livelihood. Approximately 50 percent of the population still lives on less than USD 1 per day. Lichinga is the capital of the province.

Niassa is dominated by miombo woodland, which faces increasing degradation and deforestation.⁶ One of the main uses of the forest is currently for wood fuel and charcoal – these fuels make up 85 percent of domestic energy consumption in the province. The natural forest includes a number of commercial species that are increasingly being exploited for domestic use and/or export (much of which may be illegal). The potential for industrial plantations has been estimated at 2.47 million hectares of the total surface area of 12.9 million hec-

2 In 2008 the Gini coefficient was 45.7.

3 The picture becomes very different if the investments in the informal economy, which are enormously underreported but still dominate several sectors such as food production, are taken into account.

4 For example men and women who do not have the qualifications to be offered employment, people who have migrated to cities looking for better living conditions after abandoning their unproductive land in rural areas, and women who are the sole breadwinners of their families.

5 Representing Instituto de Estudos Sociais e Económicos (IESE) and Centro de Integridade Publica (CIP).

6 Miombo woodlands form a broad belt across south-central Africa. The trees shed their leaves for a short period in the dry season to reduce water loss and produce a flush of new leaves just before the onset of the rainy season.

tares. It is difficult to find accurate estimates of the total area for which there are plans for forestry operations. According to different sources, 400 or 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). Formally, 140 000 hectares have been applied for, less than half of which has been authorised.⁸

The province is endowed with fertile soils and abundant water resources, and thus has very high agricultural potential. Agriculture is dominated by smallholders practicing shifting cultivation. Approximately 31 percent of farming households are headed by women.⁹

2.2 THE PAST

The idea and vision

The original idea, to plant trees for commercial use in order to support development in Niassa, was born out of the relationship between the Diocese of Niassa in the Anglican Church, and the Diocese of Västerås in the Church of Sweden. The Diocese of Västerås invested capital from the return revenue on donations made to the Church of Sweden.¹⁰ The vision was to set up a company which, in the words of Bishop Mark of the Diocese of Niassa, was like a stool with three legs, each equally important: commercial forestry, conservation of indigenous forests and community development. The three legs, or objectives, were expressed in the criteria of the investment policy of the Global Solidarity Forest Fund (GSFF), which was set up in 2005:¹¹

Economic criteria

- Potential of a minimum of 10 percent real Internal Rate of Return (IRR)¹²

Social and Environmental criteria

- No involuntary resettlement, acquirement of land-use rights only through negotiated settlements;
- No conversion or degradation of natural forest habitat or critical habitat; for every hectare of new forest plantation established one hectare of protected or responsibly managed native eco-system is set aside;
- Each investment is subjected to certification according to the Forest Stewardship Council (FSC);
- Adherence to relevant UN and ILO conventions on biodiversity, conservation, human rights, individual freedom, indigenous peoples, ethnic minorities and health, safety and working environment;
- Adherence to the 10 Universal Principles of United Nations Global Compact.

The general criteria include that there should be a minimum of 10 percent local ownership, that all investments must be welcomed and endorsed by the host government, and that there should be cooperation with a national partner, e.g. a local church with capacity for the project and interest in it.

Chikweti Forests of Niassa was set up by the Global Solidarity Forest Investment (GSFI) and later became a subsidiary of the GSFF. This process was facilitated by the Malonda Foundation, which was set up with financial support from Sida (the Swedish International Development Cooperation Agency) to attract, promote and facilitate private-sector investment in Niassa Province. Malonda has been working in areas such as tourism, commercialisation of agriculture and large-scale forestry. The governance/ownership structure is shown in the illustration overleaf.

7 Recently, UPM announced that it is closing down its operations in Niassa.

8 Isilda Nhantumbo et al., *The Potential for Investing in Locally Controlled Forestry (ILCF) for the Promotion of Sustainable Rural Development in the Province of Niassa, Mozambique. A Strategic Assessment*, 2013. IEED.

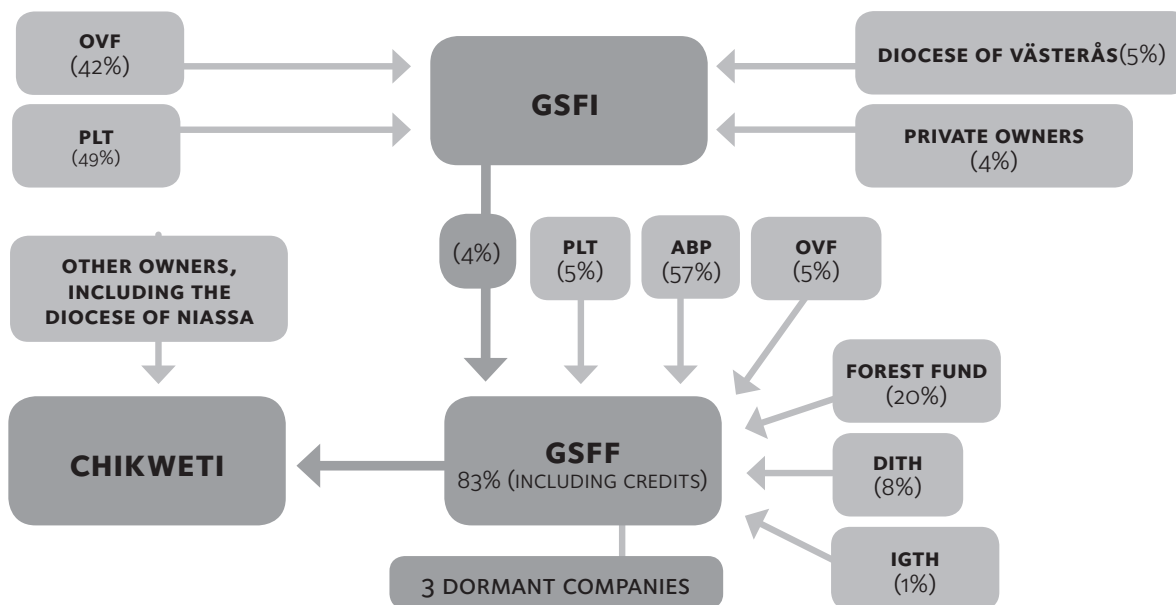
9 Ibid.

10 Under the Church Ordinance of Church of Sweden, the dioceses are independent bodies in most legal respects. The management of donations made to the Church of Sweden is delegated to the dioceses through the Church Ordinance. The Church Ordinance also makes demands regarding sustainability and durability in the management of the donations. Most of the donations to the Church were made during the mediaeval period and consist mainly of agricultural and forest land in Sweden. The dioceses manage the donations independently under the supervision of the Board of Church of Sweden. The physical assets may, to some extent, be converted into financial assets by the dioceses.

11 Investment criteria as referred to in GSFF Annual report 2007.

12 This rate of return is high in relation to investments on developed markets such as Sweden, but relatively low in relation to investments on high-risk markets such as Mozambique.

OWNERSHIP STRUCTURE



PLT: *Prästlönetillgångar* (returnal revenue on donations made to the Church of Sweden)

GSFI: Global Solidarity Forest Investment

GSFF: Global Solidarity Forest Fund

OVF: Opplysningvesenets Fond (Norwegian Church)

ABP: Stichting Pensioenfonds ABP (Dutch Pension Fund)

FOREST FUND: Danish Forestry Fund

DITH: Diversified International Timber Holdings LLC

IGTH: Investitions GmbH (German Fund)

TIMELINE

- 2005** The GSFF was founded by the Diocese of Västerås and the Norwegian Church Endowment. The fund attracted a large amount of capital. Two investments were initiated – Chikweti (pine and eucalyptus in Niassa) and Tectona (teak in Zambezia).
- 2006–2008** Two new investments were initiated – Ntacula (eucalyptus in Zambia) and Messangulo (pine in Niassa). The operations grew fast. Also, a company in Angola, Responsible Wood Angola, was set up. The number of employees reached more than 6 000 in total. External criticism started to be voiced.
- 2009** The problems became acute. There were both internal and external issues. Bishop Mark proposed guidelines for an ethical company. These were discussed by the Board of Chikweti at a meeting in November but deemed inappropriate. Members of the Board asked the Bishop to step down as Chair. The investment was in bad shape and inefficiently organised.
- 2010–2011** A process of change starts. Senior management and the board of the GSFF undergo a substantial reshuffle. Chris Bekker becomes CEO of Chikweti and Nils Grafström becomes Chair of the board of the GSFF. The operation is totally focused on Chikweti, and the other companies (Tectona, Ntacula and Messangulo) are put on hold. A Social Fund is set up and the bookkeeping issue is addressed.

Problems and conflicts

Once the company was up and running, however, a number of problems arose and there were conflicts at various levels. In some places, seedlings were uprooted and set on fire by local communities. Workers complained about working conditions, and allegations of irregularities in the land acquisition process were reported locally and eventually nationally and internationally.¹³ There were also internal challenges, ranging from core operations and the land development process to financial management, which naturally had an influence on the way the company interacted with local stakeholders. There were also conflicts within the Board of Chikweti.¹⁴

The delegation was neither asked nor had the time to assess the allegations in detail. However, during the trip some general observations of past practices that could be attributed to the conflicts were made:

- Local leaders, *régulos*, were employed directly by Chikweti. The idea of the company was that local leaders would facilitate the communication between the company and the local communities. The *régulos* took advantage of this to satisfy personal interests, with the approval of the company.
- Chikweti made oral promises about the benefits that the company would bring to the communities.¹⁵
- Community consultations were not adapted to the cultural context, nor were they fully conducted according to the intention of the land law.¹⁶

- It has been reported that Chikweti saw job opportunities as something offered to communities in exchange for land. This approach is very problematic as employment is a contract in itself.

Although an initial CSR policy with social and environmental criteria was set up for the investment in 2005, this was not further developed into actual implementation procedures, including risk assessment, risk management plans and monitoring tools with relevant indicators. Hence, there was poor insight throughout the Chikweti chain of governance, i.e. Västerås Diocese, Västerås property board and the GSFF board, regarding Chikweti's performance on the ground. There seems to have been no clear strategy for how the community development programme to be run by the Diocese of Niassa was to develop and relate to Chikweti.

There were conflicts and tensions at several levels: between the company and the government, between the company and the communities, and, not least, within and between communities. In addition, there were conflicts between the company and local CSOs.

An underlying reason for the mistakes made may be that the senior management lacked experience of plantation forests in developing countries in general and the Mozambican context in particular.¹⁷ Furthermore they underestimated the need to understand and adapt their practices to the complexities in the local context, which

¹³ FIAN, 2012, *The Human Rights Impacts of Tree Plantations in Niassa Province, Mozambique*; Anders Friström, 2011, "När plantagen kom till byn", *Sveriges Natur* nr 5; DNTF (Direcção Nacional de Terra e Floresta), 2010, *Relatório do trabalho de Campo*; Henrik Brandão Jönsson, 2012, "Den goda viljan", *Filter* No 25; Justiça Ambiental and UNAC, 2008, *Lords of the Land* (Supported by Norwegian People's Aid and Swedish Cooperative Centre); Kajsa Johansson, Diamantino Nhampossa and Marja Wolpher, "Mozambique – Peasants Voice Having an Impact", 2012, in *The Race for Land*, Forum Syd, Afrikagrupperna and Swedish Cooperative Centre; *Kyrkans Tidning*: articles on 16 November 2012, 25 April 2012 and 19 April 2012; Kirk Helliker and Tendai Murisa, 2011, *Land Struggles and Civil Society in Southern Africa*, Africa World Press; Mozambique Political Process Bulletin n° 48, 22 February 2011; PEM Consult, 2011, *Estudo sobre a Gestão de Conflitos da terra/Niassa*, Contracted by Fundação Malonda and Swedish Cooperative Centre; *Akademikern* nr 7, 2012, "Tallar istället för mat".

¹⁴ In March 2010, Bishop Mark resigned as Chair and member of the Chikweti Board in protest, citing the following reasons:

- Diocese of Niassa no longer able to influence decisions;
- Project not working for the good of local communities;
- Many ethical questions about land and labour not answered;
- Failure to implement programme of sustaining local forests;
- No programme of social responsibility.

¹⁵ Local CSOs and population testify that Chikweti promised in general terms that once the company was established, this would mean that they could help with community development, such as constructing schools and other infrastructure, and that they would also offer job opportunities.

¹⁶ Initially, Chikweti held only one consultation in each community. The land law, adopted in 1997, stipulates that participative community consultations must forego a decision to grant land use rights (DUAT) to an investor. In a technical appendix adopted in 2010, it is clearly stated that two or more consultations must be conducted. The intention of the law is that as many consultations as needed should be held.

¹⁷ Ideally, the management should have experience from Northern Mozambique. It would, however, be extremely difficult or impossible to find such expertise.



Gert Van der Merwe, Director of Operations at Chikweti, and Erik Ling, Manager of church property in the Diocese of Västerås and Board member of GSFF, at a field visit.

inevitably influenced the outcome of the company's activities. The challenges that were not sufficiently recognised include e.g. the system of land use rights¹⁸ and the fact that, in most areas, community lands have not been demarcated; the fact that the smallholders' perception of land is fundamentally different from the idea of land as a resource that may be transferred; internal power dynamics within communities; and the fact that most people have no experience of wage labour. In order to succeed in setting up large-scale plantations in a way that does not create or exacerbate local conflicts, a great deal of sensitivity and respect for local stakeholders is needed.

Another underlying reason for the problems may have been that the GSFF lacked sufficient capacity to handle the large amount of capital that it attracted within a very short space of time. The influx of funds created pressure to expand rapidly and achieve results. This pressure may have led to less of a focus on the careful assessment, planning and learning from experiences required to ensure responsible investment.

The investor should have reacted faster when critical reports began to emerge.

Role of other stakeholders

The problems caused by the company are the responsibility of the Chikweti management and its investors. However, the actions of other stakeholders, or their failure to act, have also contributed.

The *government* had actively invited the companies to come, but it turned out that it was not ready to fulfil its role in the land acquisition process. It lacked the capacity to map land use, enforce land rights and respond to/manage/mediate conflicts, and this became evident as the overall pressure on land increased due to several companies entering the Province more or less at the same time. The local view was that the company was favoured by the local government when applying for DUATs. The dual role of Malonda as both an investor and a facilitator added to the problems.¹⁹

CSOs, many of which have a significant outreach at grass-roots level, play an important role as watchdogs at local, national and international levels. The perspectives and experiences of CSOs represent important contributions to discussions on the social and environmental responsibilities of business in general, and the debate on large-scale land investments in particular. The criticism that the CSOs expressed was one of several factors that led to the management reshuffle in Chikweti and the GSFF board in 2011.

However, mistakes were also made by the CSOs that may have contributed to the conflicts. Today, local CSOs confirm that there was a lack of coordination between them. They also confirm that information on the right to 20 per cent of the fees companies pay to exploit natural resources was sometimes communicated in such a way that it caused confusion and added to the conflict.²⁰ Furthermore, there is suspicion that some local organisations acted in their own interests when asked by the company to assist in community consultations.

¹⁸ Land in Mozambique is owned by the state and cannot be sold or mortgaged. The land law establishes that the right of use and benefit of land (DUAT) is acquired by a community occupying the land, by individual Mozambicans using the land in good faith for at least ten years or in response to an application. Land can be leased to investors for 50 years, renewable for another 50 years, but only after local communities agree to it or local people accept that the land is not used. Provincial governors can authorize DUATs on up to 1 000 hectares, the Minister of Agriculture up to 10 000 hectares and the Council of Ministers above that.

¹⁹ Malonda has been criticised for having an indistinct role – as investor, facilitator and honest broker, as well as taking on some governmental functions.

²⁰ This fee is paid to the government and should not be confused with payments to social funds or other mechanisms to bring local benefits.

When international CSOs used local examples from Niassa in their campaign against land grabbing several years after problems were experienced on the ground, this sometimes took place in such a way that the context was lost, messages were exaggerated or information was misrepresented. As a result, conflicts within and between communities were exacerbated, and dialogue at local level between local CSOs and Chikweti was made more difficult.

2.2 THE PRESENT

The delegation made the following observations about the present situation:

Relations with local communities

We found no evidence of land grabbing²¹ or of people being displaced on account of activities by Chikweti. CSOs had reported about a recent (the previous month) example of a conflict in one community. We were able to confirm during a visit that there had indeed been a recent dispute over an area that Chikweti was going to prepare for planting, but that this problem had been solved. Conflicts, mistakes and misunderstandings will continue to occur, but all stakeholders that we met agree that the relationship between the company and the local communities has improved greatly.

In our discussions with Chikweti's management, they emphasised that there is a clear commitment on the part of the company to withdraw if a community does not want the company to operate in its area, even if the community has previously given its consent. It is, however, not clear how this commitment is communicated to the

local communities and whether it was understood by them. It is important that such messages are communicated in writing in order to prevent misunderstandings.²²

We did not encounter any stakeholders in Niassa who wanted Chikweti to cease its operations and withdraw from the province but we heard several calls for improvement of its activities.

The relationship between Chikweti and local communities is complicated by the fact that *chikweti* means "forest" in the local language. Hence, Chikweti could easily be confused with other forest companies in the area. Various complaints attributed to Chikweti may in fact relate to one of the other forestry companies operating in Niassa.

The land acquisition process of Chikweti and the operation of the Social Fund have improved. Consultations are structured and documented,²³ and local CSOs have been invited as observers.

There is still room for improvement in the consultation and land acquisition process. Chikweti says that land acquisition is kept separate from the discussions on the management of the Social Fund. However, as both issues are discussed at the first consultation meeting, this separation is not fully implemented. While there is an institutional set-up that in theory makes full transparency of the Social Fund possible, there is secrecy surrounding the land acquisition process. Due to competition between different companies, secrecy is maintained until the period for appeal has expired.

²¹ Land grabbing: acquisitions or concessions that are one or more of the following:

- in violation of human rights, particularly the equal rights of women;
- not based on free, prior and informed consent of the affected land users;
- not based on a thorough assessment, or are in disregard of social, economic and environmental impact, including the way they are gendered;
- not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and;
- not based on effective democratic planning, independent oversight and meaningful participation.

The definition is included in the Tirana Declaration, which was endorsed by the International Land Coalition (ILC) Assembly of Members on 27 May 2011. ILC is a global alliance of civil society and intergovernmental organisations (including the World Bank and several UN agencies) working together to promote secure and equitable access to and control over land for poor women and men through advocacy, dialogue, knowledge sharing and capacity-building.

²² It is also not clear how the company's fulfilment of this commitment is perceived. According to one community, and reported by a local organisation, the community wanted the company to pull out, and the *régulo* informed the company representative of this decision. The company came back with government representatives. They put pressure on the *régulo*, who gave in and conceded the land. The organisation concludes that although the company at first seems to accept the decision of the community, they return and keep insisting that the decision be changed.

Environment

We noted that the management is clearly committed to working towards compliance with the FSC's Principles and Criteria. This commitment is reflected in the GSFF investment criteria, as well as in the document "Internal rules and regulations". Obviously, we should not and cannot assess Chikweti's compliance with the FSC's Principles and Criteria but we expect this to be clarified in a future certification process. (For more information on issues related to obtaining an FSC certificate, see Annex 1.)

We did not find any clear plans for how Chikweti intends to actively protect natural forests, with reference to the original commitment that "for every hectare of new forest plantation established, one hectare of protected or responsibly managed native ecosystem is set aside".²⁵ At present, areas in which Chikweti has DUATs but does not plant trees are not actively managed/protected by the company. Local organisations point out that the situation is complicated by the fact that the government has no clear definition as to what is to be seen as natural/indigenous forest and which areas could be used for forestry.

Chikweti has been accused of cutting down natural forest to establish plantations. The company has recently contracted the consultant firm Metria to assess, using satellite image analysis, if and to what degree such land use conversion has been carried out.²⁶ The report was not available for public viewing at the time of the visit.

Based on the requirements in the Land Law, Chikweti implements a buffer zone of at least 10 metres between tree plantations and agricultural land. The company reports that it assesses and adapts every boundary and distance on a case-by-case basis.

Company management and labour relations

The new management has shown in a convincing manner that it has come a long way in achieving order in the company in terms of forestry operations, financial management and labour relations. It is committed to employing and training local staff and to being a market leader in Mozambique in terms of financial, social and environmental responsibility. Staff turnover and absenteeism has been reduced significantly. The proportion of female employees is still low, at 15 percent.²⁷

The original idea of a company with three equally important objectives – commercial profit, community development and environmental conservation – has been transformed into a more straightforward business philosophy: in order to be financially sustainable in the long term, Chikweti not only needs to have a clear business case but also to assess and define social and environmental boundaries within which production activities can occur.

Dialogue and sentiments

An ongoing dialogue is taking place between local CSOs and the company, but this has at times suffered from

THE SOCIAL FUND PROGRAMME

The objectives of the Social Fund programme are to improve the living conditions of communities, improve infrastructure, ensure community participation in managing and sharing benefits, promote community initiatives and boost self-esteem.

Through the Social Funds, communities receive a set amount of money for each hectare planted on the communities' land, money that is used to fund specific projects. Payments to the Social

Funds are based on agreements with all communities in Chikweti's operational areas, agreements that are also endorsed by the local government. The agreements have set criteria that must be complied with, the most significant of which is that the plantations do not burn. In October 2013, 47 projects were submitted and approved, of which 25 were implemented. The projects often consist of investments in or renovation of common infrastructure such as wells,

or improvements of mosques.

The fixed payment is USD 2 per hectare annually. If the criteria are complied with, payments increase to USD 5. In 2012, a total of USD 82 435 were paid out.

An elected community committee is responsible for managing the funds according to specific community needs and for reporting back to Chikweti how the funds are spent.²⁴ Chikweti is monitoring the projects but does not prescribe what the funds should be spent on.

23 The delegation was given access to some of these documents.

24 The *régulo* is automatically on the committee as an advisor but does not sign the agreement.

25 GSFF investment criteria.

26 <http://www.metria.se/Startpage/News1/Metria-mapped-forests-in-Mozambique-for-FSC-certification/>

27 According to data provided by Chikweti.

interruptions and mistrust. The dialogue has improved, but this process is fragile. We found that, at least in some instances, there is still a lack of confidence in the honest intentions of the other.

The local process is influenced by non-local actors – for instance, when international CSOs use examples from Niassa but do not ensure that specific information is neither distorted nor used in a manner, out of context, in which it may be interpreted incorrectly, the legitimacy of local CSOs may be questioned. It is important to recognise the vested interests, experiences and roles of various stakeholders – purely technical discussions will not solve the problems. We found that several people still have strong feelings about events that took place several years ago. Various stakeholders, several of which had great hopes for the investment, are still disappointed and frustrated. For example, the Diocese of Niassa has invested a lot of “social capital” and put a great deal of its credibility among the rural population at stake when promoting Chikweti in the communities.

Land use

The company has land use and benefit rights (DUATs) to 27 000 hectares and, as of the planting season 2013/2014, has planted on 15 000 hectares. It aims to have planted on 50 000–60 000 hectares within 5–6 years.²⁸ Some pine (*Pinus maximini*) is being planted, but the focus is on *Eucalyptus* (*grandis*, *urograndis* and *dummi*).

According to the terms of reference, the delegation should address the question “to what extent, and how, is there competition over land between traditional (shifting cultivation) agriculture and Chikweti plantations...” It is not possible for us to have an opinion on this matter, given the lack of capacities of government institutions to produce land use plans and uphold land law enforcement, and the fact that Chikweti is not operating in isolation but in an environment influenced by other investors.

We note that we did not find any consensus among the stakeholders we met on whether competition over land is a problem today or will be a problem in the long term.



Foto: Kajsa Johansson

Chikweti staff preparing plant pots before sowing at the company's nursery. The new management is committed to employing and training local staff.

The company says that it plants trees on abandoned *machambas* (smallholder fields), and that there is plenty of land available. Local CSOs, on the other hand, say that there is no “marginal land”, and that former *machambas* are used for other purposes, such as lying fallow, building material, etc.

Different perceptions about smallholder agriculture explain the conflicting views on the potential competition over land: Do smallholders return to old *machambas* after a number of years, or do they move agricultural activities further away, into the natural forests (see Annex 2 for additional analysis)? For the delegation, the key issue is not whether or not there is competition – there will always be competition over attractive land – but rather, whether and how different land uses can co-exist without undermining legal and customary rights, food security, water security and environmental conservation whilst allowing equitable development in Niassa.

However, all stakeholders agree that the practice of shifting cultivation at current population pressure is not sustainable and that a transformation into permanent farming needs to take place. Everyone recognises the

²⁸ According to data provided by Chikweti in October 2013, the company's total planned plantation area comprises 100 000 hectares (“CPI area”), with DUATs for 27 000 hectares. It has applied for DUATs for 50 000 hectares and has planted on 15 388 hectares. Whereas DUATs are land use rights, CPIs permit the investor to proceed with the investment and perform consultations. CPI = Centre for Promotion of Investment.

need to support farmers in this transition. Most stakeholders agree that the need for a transition to permanent farming is reinforced or accelerated by the expansion of forest plantations in the area as when less land is available for agriculture rotational cycles, fallow periods become shorter and the agricultural system becomes unsustainable. This general conclusion is also supported by research (see Annex 2).

There is a clear need to assess opportunities and challenges regarding agricultural development and systems, both large and small-scale, if traditional shifting cultivation is

to be transformed into sustainable agricultural practices in permanent fields. Such an assessment would also need to include other land uses, e.g. plantation forestry.

There is no clear understanding of or consensus on where the responsibility for agricultural support should lie. Hopes are directed towards the company by local government, and the company actually supports some minor agricultural activities. The need for support is huge, however, and there is a need for other stakeholders to become more involved. There is also an apparent risk that the expectations on the company are too high.

LAND PLANNING PROCESS

Chikweti has developed a relatively comprehensive land planning process as there is no existing general plan for the use of land in Niassa. The purpose is to avoid conflicting interests regarding the use of land and to plan for the efficient use of land in a broad sense.

Firstly roads, villages and agricultural land are excluded. Land near the villages is also disregarded as this land is suitable for agricultural use.

After that, indigenous forest areas including shelter areas are demarcated. If possible, the company tries to create larger connected conservation areas with natural forest. Furthermore, protection zones around water, rivers and riparian areas are excluded from the plantation area. The same goes for rocky and sloping areas. When this work is complete, the company tries to create larger connected areas for plantation, farming/agriculture and conservation of indigenous forests.

2.3 THE FUTURE: CHALLENGES AND POTENTIAL

Issues related to land acquisition and consultation

There are shortcomings in government *strategy and policy implementation*. According to many stakeholders, Mozambique has a satisfactory legislative framework and policies that, if implemented, could secure responsible land investments. However, failure to implement these is a major obstacle. Furthermore, the government does not seem to have a long-term strategic approach towards how to secure investments in the country that not only contribute to economic growth but also lead to poverty reduction. It is the duty of the state to *protect* human rights, but still businesses have a duty to *respect* human rights, no matter how the state acts.²⁹



Foto: Kajsa Johansson

The challenges related to the coexistence of shifting cultivation and large scale tree plantations is a disputed issue. The delegation did not find any consensus among the local stakeholders on whether competition over land is a problem today or will be a problem in the long term.

²⁹ The responsibility of companies to respect human rights is defined in the “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework”, endorsed by the UN Human Rights Council on 16 June 2011.

As a consequence, implementation of the land law, land planning and delimitation are not in pace with private investments. Land investments should be based on government-led land use planning. Obviously, well-functioning consultations on land acquisition need to be based on a clear understanding of what specific land the individual communities actually have rights to. Land delimitation and registration is a process through which the areas belonging to different communities are formalised – existing legal land rights are formally acknowledged. The delimitation process is, however, slow, and rights holders have inadequate information about their rights under the land law. There are real concerns that farmers – and low-income groups in general – may be losing access to land through registration processes that favour applicants who are well-connected and wealthy.³⁰ Furthermore, such a process is likely to create other challenges, including disputes, since customary rights are not easily delimited, mapped and agreed on once documented.³¹

The government has allocated the same areas of the province to different companies. Hence, the operating areas of different companies overlap. This causes confusion and impedes transparency in the early stages when companies are negotiating with communities. There is competition among the companies and secrecy about which company is negotiating where and with whom; companies keep information about consultations confidential until all papers have been signed.³²

The *consultations* preceding Chikweti's land acquisition have become more structured and better documented. In addition, in recent times there seems to have been no conflict of interests that calls into question the ability of local leaders (*régulos*) to represent their communities.

However, there is significant room for improvement in terms of inclusiveness in local decision-making and hence consultation processes. From our field visit, it was clear that women are included in decision-making to a very limited degree. In addition, there are no requirements regarding the proportion of community members that need to be present at consultation meetings.³³ It is therefore possible that Chikweti and other forest operations obtain land rights even though only a minority of individual rights holders has explicitly agreed to it. This possibility creates uncertainties and risks for both the company and the local rights holders.

Both the format and documentation of consultations should be improved. The objective should be to make them more inclusive and comprehensible for community members and to redress the balance in the unequal relationship between the company and the community. The process of developing the format and documentation is likely to benefit from input from CSOs.

The development of consultation processes needs to include an operational interpretation of *Free, Prior and Informed Consent (FPIC)*.³⁴ The right to FPIC applies specifically to indigenous peoples.³⁵ There is, however, a growing recognition that all communities should have a meaningful role in making decisions about projects that affect them in a significant way.³⁶ FSC certification requires FPIC for indigenous peoples and local communities in the process of consultation regarding the delegation of land use rights (criterion 4.2), and Chikweti refers to FPIC in its description of the land acquisition process (see Annex 5). It is, however, not always clear what FPIC means. According to the UN, FPIC implies that information is provided that includes a preliminary

30 Denise Malauene et al., 2005, *Land Registration in Maputo and Matola Cities, Mozambique*, Research Report 7, Land Studies Unit, University Eduardo Mondlane, Maputo, IIED. <http://pubs.iied.org/pdfs/12524IIED.pdf>

31 Osman Alhassan and Takyiwaa Manuh, 2005, *Land Registration in Eastern and Western Regions, Ghana*, Research Report 5, Institute of African Studies, University of Ghana, Legon, Accra, IIED. <http://pubs.iied.org/pdfs/12522IIED.pdf>

32 "It would be better if we could put our cards on the table," Chikweti CEO Chris Bekker said at a meeting.

33 It is, however, required that vulnerable groups are represented in community consultations.

34 The FSC defines FPIC as "a legal condition whereby a person or community can be said to have given consent to an action prior to its commencement, based upon a clear appreciation and understanding of the facts, implications and future consequences of that action, and the possession of all relevant facts at the time when consent is given. Free, prior and informed consent includes the right to grant, modify, withhold or withdraw approval".

35 UN Declaration on the Rights of Indigenous Peoples (2007).

36 Some human rights conventions have been interpreted to extend the right to FPIC to other communities in addition to indigenous peoples. These include the Convention on the Elimination of Racial Discrimination, the International Covenant on Civil and Political Rights, and the Convention on Biological Diversity. See UN-REDD Programme Draft FPIC Guideline (2011), p. 4.

assessment of the likely economic, social, cultural and environmental impact, including potential risks.³⁷ The FSC gives detailed guidance on the practical implementation of FPIC in a document published at the end of 2012.³⁸ One important aspect of FPIC is that consultations must be understandable – a challenge in itself, since the concept of transferring long-term land rights is in itself alien to many locals. The criterion “free” implies that the company must be aware of and find ways to balance the inevitably unequal position of communities vis à vis the company. Chikweti needs to show how it is living up to the requirements of FPIC.

Issues related to the Social Fund

The land law, which prohibits the sale or lease of land, makes the land acquisition process complex. There is no simple means of determining the price when buying or leasing land. Transaction costs in terms of negotiations with the government and consultations with local communities appear to be very high, but once the DUATs are obtained, the cost of the land becomes lower over

time. Annual fees for DUATs vary but are in the order of MZN 6–15 (USD 0.2–0.5) per hectare per year.

Although there is no leasing fee, it is expected that the company will give something to local communities in return for them letting the company use their land. Chikweti has set up the Social Fund as a framework for channelling this benefit from the company to the community (see previous box). This is a great improvement compared to previously, when the company had a far less structured social programme.³⁹

If seen as the annual cost of using the land (similar to a leasing fee), contributions to the Social Fund must be considered to be low. Comparison with the cost of using land in e.g. Latin America is, however, not appropriate as the infrastructure is very poor in Niassa and, as noted above, transaction costs are high and additionally DUAT fees are paid. Over time, however, and as the infrastructure develops and the company starts making a profit, it should be possible to increase the payments to



Foto: Kajsa Johansson

Members of the delegation meet with a female community leader in Licole.

37 United Nations Human Rights Office of the High Commissioner, 2013, “Free, Prior and Informed Consent of Indigenous Peoples” (information sheet).

38 FSC guidelines for the implementation of the right to free, prior and informed consent (FPIC). Version 1, 30 October 2012. <https://ic.fsc.org/guides-manuals.343.htm>

39 According to local CSOs, there is, however, still confusion and some conflict surrounding the Social Fund as it is sometimes perceived by the communities as something that only the *régulo* benefits from. Therefore, there is a need for the company to monitor the implementation of the fund more closely, they say.

the Social Fund. (Today the payments amount to about USD 80 000 per year, or 0.5–1 per cent of the total annual investment made by the GSFF.) If more resources are channelled through the Social Funds, the potential for positive impact on communities obviously increases greatly.

Issues related to FSC certification and environmental sustainability of Chikweti's plantations

One of the important commitments the GSFF made right from the start was that “for every hectare of new forest plantation established, one hectare of *protected or responsibly managed native ecosystem* is set aside”. Chikweti still needs to develop a strategy for how to implement this. This process should involve the local population and various forms of sustainable community forest management. Sustainably managed natural forests can provide the local population with livelihood options and potential income through timber and non-timber forest products.⁴⁰ In addition, the potential of an afforestation programme to establish community woodlots with indigenous and/or exotic species for commercial use could be explored. Such woodlots could also serve as buffer zones for more natural miombo woodland (see Annex 2).

The length of buffer zones between tree plantations and agricultural land has both environmental and social implications. From a precautionary perspective, there may be reasons why, as a rule, slightly longer distances than those legally required are implemented.⁴¹

The incidence of *fires* in plantations is decreasing but is still at an unsustainably high level according to the company. This issue is not trivial – apart from causing financial loss and undermining the plantation business case as such, the fires pose a threat to natural forests and conservation areas. The natural miombo forests are

prone to fires and have adapted to them. However, regular fires in the miombo region can, if too frequent or intense, cause mortality of large and small trees and prevent regeneration, thus leading to a gradual degradation of the woodlands until no woody biomass is present.⁴² The annual bushfires constitute a major threat to both flora and fauna in the area. Irrespective of whether forest plantations are taking place, the frequency of bush fires must be drastically reduced. This is necessary for both environmental and livelihood reasons. In 2006, an impact assessment concluded that the impact of the plantations on natural resources used by the rural communities will to large extent depend on whether the investment results in a decrease in bush fires and general improvement in managing the natural resources.⁴³ There may be great potential in involving local communities in fire protection measures. This is already happening to some degree, but there may be room for further improvement in this cooperation between the company and the communities.

The *water consumption of eucalyptus* is a controversial issue. The impact of fast-growing trees on water resources is well documented, although not always with consistent results. In 1993, FAO, the Food and Agriculture Organization of the United Nations, held a meeting of regional experts in Bangkok regarding the potential social and environmental impact of eucalyptus. Regarding hydrology it was generally recognised that plantation of extensive forests of eucalypt in any deforested catchment will substantially decrease water yield from that catchment. Hence, it was recommended that where water is scarce or demanded by other sectors, special care should be taken to adjust the eucalypt biomass production to match the amount of water available. The water consumption needed for eucalypt plantations can be reduced by planting fewer trees per unit area or by thinning existing plantations. Such operational adjust-

40 See for example local communities marketing valuable trees sustainably managed in miombo forests in Tanzania (MpiCSO Conservation and Development Initiative, <https://ic.fsc.org/newsroom.9.527.htm>); Nhantumbo et al., 2013, *The potential for investing in locally controlled forestry (ILCF) for the promotion of sustainable rural development in the province of Niassa, Mozambique. A strategic assessment*. IIED, Rural consult and IUCN.

41 Chikweti implements a buffer zone of at least 10 metres in accordance with requirements in the Land Law. The company reports that it assesses and adapts every boundary and distance on a case-by-case basis. There does not seem to be a lot of research in this area. In studies referred to in Forestry Paper 59, *The ecological effects of eucalyptus* (FAO 1986), buffer zones of 15–25 metres, depending on types of soil, are used in Italy.

42 Casey M. Ryan, Mathew Williams, and John Grace, 2011, “Above- and Belowground Carbon Stocks in a Miombo Woodland Landscape of Mozambique”, *Biotropica*. Volume 43, Issue 4, pages 423–432, July 2011. <http://onlinelibrary.wiley.com/doi/10.1111/j.1744-7429.2010.00713.x/abstract>

43 ORGUT, 2006, *Lichinga Field Study: Linkages between Livelihoods and natural Resources*



The natural miombo forests are prone to fires and have adapted to them. However, if too frequent or intense, bushfires prevent regeneration and lead to a gradual degradation of the woodlands.

ment should be sought under the integrated management of water, soil cover and nutrients in the surface soils.⁴⁴

Consequently, the annual rainfall in Niassa will likely not be sufficient to match the evapotranspiration of fast-growing trees if the plantations stretch over vast areas in the same catchment. This would affect ground water and water courses negatively. It is therefore important to make proper water balance studies, perform continuous monitoring and adopt adaptive management strategies when establishing fast-growing tree plantations in regions with moderate and/or erratic rainfall. Water balance studies and adaptive management strategies would need to include all forestry companies operating in the same catchment area in order to be effective (see Annex 1). Monitoring the water balance is particularly relevant in relation to the expected effects of climate change in Sub-Saharan Africa.

Chikweti aims to⁴⁵ *obtain FSC certification*. The absence of a national FSC standard is a challenge in itself, and the process of developing one has come to a halt. Without a

national FSC standard broadly supported by stakeholders and with nationally adopted indicators for the FSC's Principles and Criteria (P&C), it is not only difficult to obtain certification but also to assess compliance with the FSC. It is not possible for short-term external visitors to assess the degree of compliance with the FSC's P&C. However, some possible challenges related to these principles and criteria emerged during the visit, such as the implementation of FPIC; aspects of water management; the obligation of not converting natural forest to plantations, protect representative sample areas of native ecosystems and/or restore them to more natural conditions, to maintain and/or enhance environmental and social High Conservation Values and the management system within the company to assess and develop mitigating, protective and restoration measures, i.e. adaptive management. These challenges are elaborated on in Annex 1.

Development of sustainable community management of natural resources

There is a need to develop integrated community projects linking sustainable community management of

44 FAO, 1993, Proceedings from Regional Expert Consultation on Eucalyptus 4–8 October, Volume I. <http://www.fao.org/docrep/005/ac777e/ac777eob.htm#TopOfPage>

45 Expressed in the investment policy of the GSFF and internal rules and regulations of Chikweti.

natural resources with subsistence needs, product processing and markets. Agricultural practices are a key issue in this context. Current efforts by the government, CSOs and private interests to support the transition from non-sustainable shifting cultivation to permanent and sustainable small-scale farming and market development are far from sufficient. Unless this transition takes place, conflicts over land use will increase. In addition, the widespread production and use of charcoal in the area illustrates the urgent need to develop sustainable methods for managing and using local forest resources and ways to protect natural forests.

Opportunities to integrate the land use of the communities with that of Chikweti in a mutually respectful and beneficial manner should be explored. However, this requires knowledge of present and potential community livelihood options, which could be achieved by supporting participatory community livelihood assessments.

Examples of potential integrated livelihood options are:

- Bee keeping – both the miombo and eucalypt plantations have the potential for the production of honey;
- Integrating forest plantations with food production in what are termed taungya systems (see Annex 2);
- Establishing community woodlots with indigenous and/or exotic tree species;
- Introducing sustainable management of the miombo forest for timber and non-timber forest products.

At present, extension services are provided in Niassa by the government, private actors and CSOs. The scale of services is inadequate, however. Above all, there is a need for coordination and an overall strategy. It is also of great concern that governmental extension services hardly have any capacity to provide extension services to women – male extension workers can only work with men, and there are extremely few female extension workers.

The main responsibility for coordinating and developing a common strategy for the use and management of natural resources must be taken by the government. However,

Chikweti, the CSOs and the churches (especially the Anglican Church) have important resources to contribute in terms of knowledge, outreach, infrastructure, etc. Hence, potential exists for cooperation where supporting the sustainable community management of natural resources is concerned. In order for the government to play their strategic role, donor support will be necessary.

a) *Sustainable agriculture*. On a small scale, Chikweti is already supporting an initiative to introduce conservation agriculture. Although Chikweti cannot and should not take the main responsibility for supporting agricultural development, this initiative is an important foundation to build on. Experiences from other parts of the country and the wider region show that there is great potential in methods such as conservation agriculture, agroforestry and other sustainable approaches; agricultural production, soil fertility and long-term productivity can be increased without large capital investments. However, spreading the use of these methods requires a great deal in terms of generating and transferring knowledge, in close interaction between farmers, extension workers and researchers. In order to reach scale, efforts to develop and introduce sustainable agricultural practices need to be coordinated in a government-led strategy. In developing a strategy for agricultural development, the government needs to continue to draw on the experiences of various organisations and involve farmer organisations and CSOs.

b) *Village woodlots*. There may be great potential for developing community-managed, small-scale tree plantations near the villages, which would generate various products such as building material, firewood, etc. but also products of commercial value (e.g. honey, charcoal). Some of these products would otherwise have been produced on the community lands that are now being planted on by Chikweti. There are a number of experiences to draw from.⁴⁶ Community woodlots are of special interest in areas where plantation companies are operating as they can facilitate community products being integrated in the market value chain of companies.

⁴⁶ WWF, 2010, *Can Community Forestry contribute to livelihood improvement and biodiversity? Steps on how to improve community forestry programmes, lessons from work in 11 countries and communities*.

Issues related to communication and stakeholder roles

As we observed during our visit, there is *willingness to engage in dialogue* among the stakeholders, but this dialogue is hampered by a lack of trust. Without trust and respect for each other, it is difficult to agree on common solutions. Negative images and stories about wrongdoings from the past will not fade or vanish by themselves. As Chikweti still suffers from a poor reputation due to previous poor performance, it needs to build trust and credibility among local communities and CSOs. The management will need to dedicate time and resources to this in order to improve communication (locally and internationally) and expand its CSR capacity.

A complicating factor is that *Chikweti risks being held accountable for anything that forest companies do*. In general, the local population does not seem to be able to distinguish Chikweti operations from other forest companies operating in the area. The confusion is caused not only by the name (Chikweti means “forest” in the local language), but also by the fact that the companies’ areas of operation overlap. In this situation all companies risk being blamed for any actions that may only be attributed to one or a few companies. This situation reinforces the need to develop standard praxis for the forest sector.

We can see a clear but fragile willingness among the different stakeholders to engage in constructive dialogue. If a common strategy can be developed and a common understanding of the parties’ different roles acquired, there may also be a willingness to cooperate on specific tasks. We can, for instance, see the potential in collaboration between CSOs and Chikweti on developing the format for community consultations, or on strengthening the links between faith organisations with a grassroots presence (e.g. the Anglican Church) and local development CSOs and community based organisations.

Common understanding of CSR

Dialogue among different stakeholders is facilitated if

there is a common understanding of key terminology and concepts. At present there seems to be a lack of common understanding of what “corporate social responsibility” (CSR) means. CSR is generally understood as the actions that a company takes to live up to ethical norms.⁴⁷ For Chikweti, adherence to the FSC Principles and Criteria is probably the most significant CSR tool. However, the company seems to have a more narrow definition of CSR, equating it with the specific actions the company undertakes to benefit the local communities, i.e. the Social Funds (see powerpoint slide in Annex 5).

Another aspect of CSR is understanding the role of social and environmental objectives in relation to financial objectives. In the original vision of the company, it was said that the three “legs” of social, environmental and business development would be equally important.⁴⁸ It must be remembered that financial profitability will be the bottom line for any company. For Chikweti, the real Internal Rate of Return (IRR) is expected to be at least 10 per cent. A balance between financial, social and environmental objectives will only be struck when the social and environmental aspects are manifested through clear objectives and restrictions. In setting environmental and social objectives, it is necessary to define objectives for which the company can take responsibility (regardless of, for instance, what the government does or does not do). In addition to these, there may be social and environmental objectives for a given geographical area that the company is able to contribute to but not take full responsibility for. Thus, synergies with broader social, developmental and environmental objectives must be explored and taken advantage of, but what falls outside the company’s responsibility should also be clarified. Additional financing and drive will need to be provided by other stakeholders in order to achieve these objectives.

Capacity and legitimacy of local civil society

Civil society organisations (CSOs) at both national and especially at provincial/local level do not seem to have sufficient capacity and resources and a suitable strategic approach to assist the local populations in meeting

⁴⁷ Wikipedia definition as an illustrative example: Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. In some models, a firm’s implementation of CSR goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law.” CSR is a process with the aim to embrace responsibility for the company’s actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

⁴⁸ Pers. Comm. Bishop Mark Van Koevering.

the challenges that land investments pose, or to interact with companies in an effective, coordinated and constructive manner. Hence, CSOs tend to be reactive rather than proactive. This contributes to a polarised rather than a solution-oriented atmosphere.

As previously emphasised, local CSOs can play an important role as “whistleblowers” by drawing attention to problems that need to be addressed. Also, case studies and concrete examples of conflicts relating to large-scale land investments are needed to underpin policy debates at national and global levels. However, in their reporting on specific cases such as Chikweti, international CSOs and media do not always make sure that facts and details are validated or represented in a fair manner. Such reporting runs the risk of undermining trust among the various stakeholders and hence the possibilities for dialogue at local level. The legitimacy of local CSOs is at stake if these organisations are being blamed for any inaccuracy in international reporting, regardless of how or whether at all they have been involved in making the reports.

In order to avoid the problems discussed above, and to improve the strategic role of “whistleblowers”, including evidence based monitoring, communication and collaboration need to be further developed between CSOs at local, regional, national and international levels. Capacity development and the strengthening of local and national CSO forums will facilitate an improved power balance and dialogue with appropriate stakeholders on land investments in general. Such initiatives are being developed with Swedish support at national level, but how this will transfer to a local context remains to be seen.

Capacity and commitment of Chikweti and its investors

The committed capital to invest in Chikweti until today is not sufficient to run the company at present level until it starts generating profits. It is clear that unless more resources are invested, it will not be possible to develop

the business at present level and standard. It is generally difficult for any business to improve social and environmental performance if it is under financial constraint (See also “Important changes in the company after the delegation’s visit” at page 4).

In addition to the need for financial resources, capacity and tools to develop and monitor CSR need to be strengthened. The investors seem to have had inadequately documented goals regarding CSR as expressed in the social and environmental investment criteria, which has led to inadequate CSR monitoring of the investment. CSR needs to be fully integrated from the highest board level to implementation level on the ground if it is to be successful.

Experience has shown that it is in the interest of the company to have good relations with the local communities. The ambition of social responsibility, however, should go beyond being merely accepted by the local population, in line with the original ambition of the investment. However, that requires an explicit commitment by the investors. When new investors step in, it is of crucial importance that investor commitment to sustainability and social responsibility is upheld.

Chikweti becoming a role model?

With clear and strategic governance by its owners and management team, Chikweti could become a CSR role model for forest plantation companies in Mozambique. The potential depends on the degree to which the challenges are recognised, risks mitigated, ambitious CSR objectives developed and monitored, and a clear business case emerges. The potential in concrete terms is most likely to be found where common ground can be identified between stakeholders who wish to move the current situation beyond polarisation through honest ambitions and transparency.

3. Suggestions

The following steps may contribute towards further improvements in land investments in general and forest plantations specifically in the Chikweti operations in Niassa. Some of these steps may to a certain extent be taken today.

All local and national stakeholders may consider:

- Contributing to participatory community livelihood assessments in areas targeted by plantation companies in order to define current and potential community livelihood options and to develop community-supported options for interventions, including cooperation to support sustainable natural resource management in general and the transition to permanent farming in particular;
- Contributing to a constructive and mutually respectful dialogue and possible collaboration between communities, CSOs, forest plantation companies and government authorities;
- Ensuring transparency in order to prevent misunderstandings and deterioration of existing conflicts among different stakeholders and within and between communities;
- Developing forms of practical cooperation between the company and CSOs, without compromising the CSOs' independence and ability to criticise the company;⁴⁹
- Exploring the possibility of finding funding to support the development of a FSC-accredited standard development group and standard in Mozambique.

Chikweti may consider:⁵⁰

- Developing the format for and documentation of consultations, including an operational interpretation of FPIC, contributing to the development of a local stakeholder forum on plantations, and cooperating on agricultural development.

- Carrying out – or updating an existing – strategic risk assessment, taking into account the social, environmental and human rights impact. On the basis of the risk assessment, formulating objectives, indicators, mitigation actions and monitoring mechanisms. Considering integrating monitoring and reporting mechanisms with existing financial monitoring and reporting.
- Clarifying the company's commitment to international CSR norms. In addition to its commitment to ILO conventions, FSC principles and criteria, and ISO standards on environmental management (and possibly other international standards; see Annex 5), Chikweti may consider referring to the *UN Guiding Principles on Business and Human Rights* and to the *FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests* and make these norms an integral part of the company's definition of and commitment to CSR.
- Continuing to improve transparency and public reporting.⁵¹ Contracts and documentation from consultations and reports on legal and CSR performance are two examples where increased transparency could facilitate dialogue, prevent misunderstandings and conflicts, and build confidence.
- Setting up a complaints response mechanism (CRM). During the visit it was not clear to us how the company deals with complaints, disputes and grievances, and how it tries to settle these, including providing compensation where relevant. CRM is an important element of developing the accountability of organisations.⁵² It minimises the risk of people taking their discontent elsewhere, and it is a tool for an organisation or company to collect information that will help improve its activities. Guidance on CRM is given in the UN Guiding Principles

⁴⁹ A recent and encouraging example is a planned initiative on capacity building, focusing on the leadership of *régulos*, which is in the process of being developed by the CSR team of Chikweti and UCA

⁵⁰ Some of these suggestions may be of relevance for other forestry companies in Niassa.

⁵¹ According to the financial policy for the Church of Sweden at national level, the Church of Sweden shall invest in responsible companies. One of the specific expectations on a responsible company is that it reports “on how it verifies the application of its chosen code of conduct”.

⁵² In its international work, and as required by its HAP (Humanitarian Accountability Partnership) certification, the Church of Sweden has set up a CRM.

(principle no. 29) and it applies to a number of criteria in the FSC Principles and Criteria.⁵³

- Strengthening the CSR capacity in the organisation, especially regarding gender issues and the inclusion of women.
- Keeping the Social Fund process separate in time from the land acquisition process. Consultations on land acquisition are in theory separated from discussions on the Social Fund as there should first be an agreement about the land, after which discussions should start on how the relationship between the company and the community should be. However, we found that there is a risk that these processes get mixed up in practice and that the local communities perceive them as different aspects of the same process. Therefore, we suggest that the land acquisition should be finalised before the social fund is set up.
- When economically feasible, increasing payments to the Social Fund;
- Redesigning the Social Fund programme in such a way that it contributes to achieving structural change and improving living conditions in the long run, e.g. by promoting land delimitation and agricultural development.
- Setting targets to increase the proportion of women employed (e.g. in the social and community performance criteria; see Annex 5).
- In a transparent manner, reviewing and adopting relevant recommendations formulated by experts to mitigate negative social and environmental effects in the Niassa context of forest plantations in general and eucalyptus in particular.⁵⁴
- Seeking to coordinate with other forest plantation companies on efforts regarding government dialogues to clearly establish clarity of roles and responsibilities of the private sector *vis-à-vis* the government, and taking the initiative to create a

business plantation company forum in order to develop a common code of conduct that will also be supported by civil society.

Local CSOs may consider:

- Strengthening the capacity to act as a strategic and evidence based watchdog, linked to relevant national CSO umbrella forums.
- Explore, in a strategic manner, collaborative and funding opportunities that can contribute to sustainable agricultural and forest management development and poverty alleviation in the province.

The government of Mozambique may consider:

- At national and provincial levels, maintaining its role as regulator and monitoring the implementation of the land and forestry legislation in order to ensure that investments not only contribute to economic growth but also lead to development for society in general and poverty reduction in particular.
- Carrying out a Strategic Environmental Impact Assessment regarding the impact of large-scale agricultural and tree plantation expansion, specifically regarding the impact on water resources.
- Incorporating the FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests into the legislative framework.
- Developing the land zoning process further, especially regarding participation and the acknowledgement of social and environmental challenges.
- Ensuring enforcement of the land law in order to guarantee the right to land. One means of improving the implementation of the legislative framework is to initiate multi-stakeholder processes.⁵⁵
- Developing, through a multi-stakeholder process, a coordinated strategy to support sustainable development of agricultural smallholdings in Niassa.

53 For instance, the certified organisation shall “...in a timely manner...settle disputes regarding statutory or customary law...through the engagement with affected stakeholders...” (Criterion 1.6). Furthermore the certified organisation “...through engagement with local communities, shall have mechanisms for resolving grievances and providing fair compensation to local communities and individuals with regard to the impacts of management activities of the organisation...” (Criterion 4.6).

54 FAO, 1993, *Proceedings from Regional Expert Consultation on Eucalyptus 4–8 October, 1993* Volume I. <http://www.fao.org/docrep/005/ac777e/ac777eob.htm#TopOfPage>

55 The National Land Forum initiated/sponsored by iTC is an example of such a multi-stakeholder platform in which land issues are discussed among the government, farmer organisations, CSOs, private sector representatives, donors, etc. Another example of such an approach is the WWF GFTN/TRAFFIC Legality Framework Assessment for assessing the legality of forest operations, timber processing and trade. <http://declaration.forestlegality.org/tools-guides/wwf-gftntraffic-legality-framework-assessments>

The GSFF and Diocese of Västerås, investors in Chikweti, may consider:

- Publicly acknowledging and apologising for past mistakes to the local communities concerned in Niassa and to the Diocese of Niassa.⁵⁶
- Increasing its visibility and presence.
- Making sure there is sufficient CSR competence at board level so that this perspective is represented in strategic decisions.
- Deciding on clear performance-level CSR indicators relevant to the Niassa context.
- Publicly communicating the CSR performance of Chikweti.
- The Diocese of Västerås, having a special relationship with the Anglican Church in Mozambique, in particular the Diocese of Lebombo, may consider looking for opportunities to support poverty alleviation in Niassa beyond Chikweti, based on the present situation.

The Swedish government and Sida may consider:

- Supporting a government-led, multi-stakeholder process to develop and implement a strategy for sustainable agricultural development and sustainable natural resource management in Niassa.
- Supporting the development of links between natural resource management, product processing and market development from a smallholder perspective.
- Supporting the enforcement of land rights.
- Supporting the development of a FSC-accredited standard development group and standard in Mozambique.

International CSOs may consider:

- Supporting the capacity of local civil society organisations and communities to directly access the owners of companies (multinational) and governments (foreign and national) in order to voice their concerns and therefore reduce the risks associated with them being represented by INGOs.

- Ensuring that information that is shared and conveyed is factual and reliable. When incorrect information has been conveyed, this should be recognised and rectified. Anecdotal and insufficiently researched material should be questioned. Civil society organisations will thereby gain respect due to functioning as reliable watchdogs.
- Increasing the strategic partnership including effective division of roles and responsibilities between CSOs regarding watchdog functions, lobbying activities, information sharing, expertise and capacity building, participation in stakeholder forums, and developing projects with transformative potential.
- Supporting community-based organisations in transformative projects regarding natural resource management, including developing entrepreneurship. Contributing to alternative investment models that incorporate locally controlled natural resource management in product development and market linkage.
- Seeking ways to contribute to strategic solutions regarding how large-scale land investments can strengthen links with and support provided to smallholders.
- Seeking partnerships to work towards constructive solutions in conflicts while respecting CSO integrity and risks to reputation.
- Exploring the possibility of supporting and finding funding for the development of a FSC-accredited standard development group and standard in Mozambique.

⁵⁶ In addition to the statement made by the new Bishop of Västerås on 27 April 2012 that “the wrongs will be made right”.

4. Concluding reflections

With gratitude to all those who have contributed to our understanding and facilitated the work of the delegation, we let these reflections from Bishop Mark Van Koevering of the Diocese of Niassa conclude our joint report:

After over 30 years of observing community development programmes in Africa and Asia, I am doubtful that CSOs alone are the answer. I personally think we need to make use of the capitalist machine of investment, but with controls. Our dream was that this could be done in an ethical way so that people were treated fairly and with dignity and would participate in the gains. That did not always happen. And in some cases the exact opposite happened. I think we were naïve and I think an unexpected supply of capital changed the scope of the project, making it difficult to adequately respond to the size and complexity of the new investment.

What are we left with? We have a company that has learned a lot of hard lessons but is now producing beautiful plantations that rival growth rates anywhere in the world. The costs are still too high (even with ‘free’ land), but there is a trained and dedicated workforce able to produce a good plantation that will bring profit to the company. I believe the Church of Sweden, at least the Diocese of Vasteras, is still committed to sustainable, ethical business that changes lives for the good in Niassa. And there is a need for CSOs, community organisations, government, local churches and the company to work together on some of the other key issues highlighted in the report. This is possible, if there is a new source of capital. That seems to be the problem now. The negative information and real challenges of setting up a successful business in Niassa has frightened away investors and I fear that Niassa will lose – again. But I hope not, and I would like to keep on believing that some good has been done and more can still come from this adventure, but it will take courage and cooperation. I still believe in miracles.

Foto: Anders Ölund



Bishop Mark Van Koevering was deeply involved in Chikweti in the first few years. Here with his wife Revd Helen Van Koeving in the Bishop's residence at a meeting with the delegation.

Annex 1. Additional analysis: FSC and environmental issues

Challenges for the FSC in Mozambique

The absence of a national FSC standard and the fact that the process to develop this has come to a standstill is a challenge for forest companies aspiring to achieve FSC certification in Mozambique. There is no funding, nor has the national standard development group been endorsed and registered at the FSC internationally.⁵⁷ Furthermore, the FSC at international level has evolved, and a revived national process will need to develop national indicators according to the FSC's revised Principles and Criteria,⁵⁸ including benchmarking these against the FSC's international generic indicators, which are expected to be finalised by midyear 2014.⁵⁹ CSOs in Mozambique also seem to view developing a national FSC plantation standard as less of a priority. There is likely to be a need for capacity building if the FSC is to forge ahead in Mozambique.

Another possible obstacle for the FSC to overcome in Mozambique is that there is no nationally ASI-accredited certification body (CB). Accreditation Service International (ASI) is the accreditation body that, on behalf of the FSC, is to ascertain that certification bodies wishing to perform certification and audits comply with the FSC's accreditation standards.⁶⁰ Companies aspiring to achieve FSC certification have to use a CB that has been accredited by ASI. Today the closest ASI/FSC-accredited CBs are based in South Africa. This may pose challenges in terms of both costs of certification for companies but also of CB expertise in understanding the national context and, hence, credibility. A national FSC-accredited certification body would improve the situation.

FSC criteria of particular interest to Chikweti

Without a national FSC standard broadly supported by stakeholders and with nationally adopted indicators for the FSC's Principles & Criteria (P&C), it is difficult

to assess compliance with FSC. However, once International Generic Indicators (IGI) are in place, there will be a good foundation to build on. A pre-assessment has been made by an FSC-accredited certification body, the results of which were not shared with the delegation.

We wish to explicitly state that it is not possible for short-term external visitors without proper certifier competence to assess the Chikweti company's degree of compliance with the FSC's P&C. Hence, we are merely highlighting some of the possible challenges related to the FSC's P&C experienced during the visit that may require further exploration. Consequently, the company may be in compliance with these particular FSC criteria despite this not being evident to the delegation.

Please note that the revised FSC P&C endorsed by the FSC membership in February 2012 have been used. These are not expected to be operational until a different but intimately linked process – that of International Generic Indicators and the transfer process to National Standards – has been completed.⁶¹

Below are some areas, illustrated by selected FSC criteria, in which Chikweti may still face challenges:

Consultation

According to the FSC's criterion 4.2 the certified enterprise is to “...recognize and uphold the legal and customary rights...” and “*Delegation by local communities of control over management activities to third parties requires Free, Prior and Informed Consent...*” It was not evident during the visit how the company has interpreted *Free, Prior and Informed Consent* (FPIC) in the consultation process with communities regarding the delegation of land use rights.

57 <https://ic.fsc.org/registered-sdgs.655.htm>

58 <https://ic.fsc.org/principles-and-criteria.34.htm>

59 <http://igi.fsc.org/index.htm>

60 <http://www.accreditation-services.com/>

61 <https://ic.fsc.org/the-revised-pc.191.htm>

Diversified economy, social benefits and externalities

Although the company does have a social programme, it was not evident to what extent there was compliance with e.g. criterion 4.4 *“The Organization shall implement additional activities, through engagement with local communities, that contribute to their social and economic development, proportionate to the scale, intensity and socio-economic impact of its management activities.”*

Furthermore it was not clear how the company took action to *“...identify, avoid and mitigate significant negative social, environmental and economic impacts of its management activities on affected communities... proportionate to the scale, intensity and risk...”* according to criterion 4.5.

The above is further amplified in criterion 5.3, in which an FSC-certified operation shall demonstrate positive and negative externalities of operation in the management plan. Diversified benefits and/or products based on the range of resources and ecosystem services shall be identified within the management unit in order to *“...strengthen and diversify the local economy proportionate to the scale and intensity of management activities...”* (Criterion 5.1).

Furthermore, FSC Principle 9 has two specific social High Conservation Values (HCV) that a certified company must assess and develop strategies and measures to maintain or enhance. These are:

- HCV 5 – *Community needs. Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc.), identified through engagement with these communities or indigenous peoples.*
- HCV 6 – *Cultural values. Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples.*

It was not evident during the visit how Chikweti approaches these social high conservation values.

Handling complaints, disputes, grievances and compensation

During the visit, it was not clear how the company deals with complaints, disputes and grievances and how it tries to settle these, including providing compensation where relevant. This applies to a number of criteria in the FSC P&C. For instance, the certified organisation shall *“...in a timely manner...settle disputes regarding statutory or customary law...through the engagement with affected stakeholders...”* (Criterion 1.6).

Similarly the certified organization shall *“...through engagement with workers... have mechanisms for resolving grievances and for providing fair compensation to workers for loss or damage to property, occupational diseases, or occupational injuries sustained while working for the organization...”* (Criterion 2.6).

Furthermore *“... through engagement with local communities...”*, the certified organization *“...shall have mechanisms for resolving grievances and providing fair compensation to local communities and individuals with regard to the impacts of management activities of the organization...”* (Criterion 4.6).

The above also links to criterion 4.8, in which the certified organization *“...shall uphold the right of local communities to protect and utilize their traditional knowledge and shall compensate local communities for the utilization of such knowledge and their intellectual property...”*.

Environmental values – natural forest and biodiversity

Overall the FSC Principles and Criteria instruct companies to identify, mitigate, protect and, where appropriate, restore environmental values. See FSC principle 6 *“Environmental Values and Impacts”* and principle 9 *“High Conservation Values”*. Hence, the company needs to have certain expertise in order to assess and develop mitigating, protective and restorative measures. It was not evident how the company will deal with criterion 6.4: *“The Organization shall protect rare species and threatened species and their habitats in the Management Unit through conservation zones, protection areas, connectivity and/or (where necessary) other direct measures for their survival and viability...”* Furthermore, the management admitted that, in the past, a certain degree of deforestation had occurred. A study

has been made by the Swedish company Metria to assess the degree of deforestation. However, this report had not been made publicly available at the time of the visit.

FSC criterion 6.9 states:

The Organization shall not convert natural forest to plantations, nor natural forests or plantations to any other land use, except when the conversion:

a) affects a very limited portion of the area of the Management Unit, and

b) will produce clear, substantial, additional, secure long-term conservation benefits in the Management Unit, and

c) does not damage or threaten High Conservation Values, nor any sites or resources necessary to maintain or enhance those High Conservation Values

Chikweti management claimed that they were in dialogue with the FSC to resolve the issue of deforestation. However, the acceptable degree of conversion, i.e. “... *limited portion...*”, of natural forests or other high conservation value areas and how this should be linked to “...*clear, substantial, additional, secure long-term conservation benefits...*” would best be determined through a national stakeholder process. This again emphasizes the need of an FSC-endorsed national standard-setting group with broad stakeholder participation. This is not just an issue for Chikweti *per se* but potentially for all forest plantation companies aiming for FSC certification in Mozambique.

Environmental values – water

Chikweti is aiming for fast-growing tree plantations. Growth is strongly linked to leaf area, i.e. the leaf canopy that intercepts sunlight to drive photosynthesis. However, a large leaf area per hectare also leads to high evapotranspiration, i.e. sizeable water consumption. Niassa has a fair amount of rainfall in Mozam-

bican terms. Lichinga has a humid sub-tropical climate with an annual rainfall of about 1 100–1 200 mm/year. However, the extent to which this rainfall is sufficient to match the evapotranspiration of fast-growing tree plantations over vast areas without affecting ground water and water courses negatively in Niassa still needs to be determined. Experts on eucalypt plantations have recognised that plantation of extensive forests of eucalypt in any deforested catchment will substantially decrease water yield from that catchment, and they have proposed monitoring and mitigating measures.⁶² It is relevant for the plantation companies responsible to present evidence that potential negative effects are avoided or mitigated.

The Chikweti management is focusing on various species of eucalyptus (*Eucalyptus grandis*, *E. urograndis* and *E. dunni*) in the plantations and seems to be abandoning the use of *Pinus maximinoi*. The reason according to the Chikweti management is that the latter species only has a mean annual increment (MAI) of 10–16 m³/ha and the eucalyptus species are expected to have a MAI of 30–40 m³/ha. One possible reason for the higher growth rate of eucalyptus is likely to be a larger light-intercepting canopy compared to *Pinus* stands, probably with higher water consumption, assuming that water is available.⁶³

A study of a monoculture of *Eucalyptus camaldulensis* in the Argentine Pampas concluded that about 67 per cent of the water used by the plantation originated from ground water.⁶⁴ The conditions of these studies are not directly comparable to those in Niassa, but they highlight the importance of conducting proper water balance studies and continuously monitoring when establishing fast-growing tree plantations in regions with moderate and/or erratic rainfall. This is particularly relevant in relation to the expected effects of climate change in Sub-Saharan Africa. The water use of eucalyptus is a controversial issue, and the impact of these fast-growing trees on water resources is well documented, although the results are not always consistent. Hence, for in-

62 FAO, 1993, *Proceedings from Regional Expert Consultation on Eucalyptus 4–8 October, 1993* Volume I. <http://www.fao.org/docrep/005/ac777e/ac777eob.htm#TopOfPage>

63 Myers et al., 1996, “Growth and water use of *Eucalyptus grandis* and *Pinus radiata* plantations irrigated with effluent”, *Tree Physiology* vol 16, 211–219 <http://treephys.oxfordjournals.org/content/16/1-2/211.full.pdf+html>

64 Engel et al., 2005, “Hydrological consequences of Eucalyptus afforestation in the Argentine Pampas”. *Water Resources Research*, Vol. 41, <http://biology.duke.edu/jackson/wrro5.pdf>

stance, legislation restrictions in South Africa limit further afforestation.⁶⁵ The severity of problems associated with water availability appears to be greater in areas where the plantations are large in size and cover most of the catchment area, or in places with seasonal rainfall.⁶⁶

As previously noted, the FSC P&C demand certified operations to preserve environmental values and ecosystem services and mitigate the negative impact on these. This is especially important where water aspects are concerned. This has relevance for the following:

- FSC HCV 6, i.e. “...resources fundamental for satisfying the basic necessities of local communities...”
- FSC HCV 4 “... critical ecosystem services. Basic ecosystem services in critical situations, including protection of water catchments...”
- FSC criterion 6.7 “...The Organization shall protect or restore natural water courses, water bodies, riparian zones and their connectivity. The Organization shall avoid negative impacts on water quality and quantity and mitigate and remedy those that occur...”
- FSC criterion 10.10 “...The Organization shall manage infrastructural development, transport activities and silviculture so that water resources and soils are protected...”

65 Albaugh et al., 2013, “Eucalyptus and Water Use in South Africa”. *International Journal of Forestry research* Vol 2013. <http://www.hindawi.com/journals/ijfr/2013/852540/>

66 W.S. Dvorak, 2012, “Water use in plantations of eucalypts and pines: a discussion paper from a tree breeding perspective”. *International Forestry Review* Vol.14(1), 2012. http://www.camcore.org/publications/JournalPubs/pubs2012/2012Dvorak_waterUseEucalyptusAndPine.pdf

Annex 2. Additional analysis of issues relating to agricultural development

Traditional land use

The majority of the rural population in Niassa is entirely dependent on natural resources, having traditional subsistence farming as its basis for survival. Shifting cultivation is a traditional farming method in Niassa, as it is in many other parts of Africa. As long as the population is low and the fallow periods long – 20–30 years – the system is sustainable, since soil fertility is restored between cultivation periods. When there is less land available for agriculture due to a population increase or an increase in other uses of land such as forest plantations, the fallow periods gradually become shorter and soil fertility will not be restored between cultivation periods.

A *machamba* (smallholder field) is normally only used for three years. Even from a short-term perspective, this fact complicates the relationship between forestry investors and rural communities. Converting degraded forest land or land not yet exploited into large forest plantations, without a concomitant change of agricultural methods will end in conflicts over land and probably also increase land degradation.⁶⁷

According to Chikweti staff and management, as well as Bishop Mark of the Diocese of Niassa, farmers do not actually rotate their fields. Rather than returning to old *machambas* after a number of years, they move agricultural activities further away, into the natural forests. If this is the case, using abandoned *machambas* for plantations would not create competition between agriculture and forest plantation. However, the perception that traditional agriculture is constantly moving rather than rotating was contested by an individual we met at the stakeholder forum and who grew up in Niassa.

The need for transition to permanent and sustainable agriculture

In 2008 a study on Community Land Rights in Niassa

concluded that if the planned development vision for Niassa Province is to include large investments in the forestry area, the population cannot maintain the current system of large-scale fallow land cycles and extensive use of the land resources.⁶⁸

According to Chikweti's management, the company's plantations are far too scattered at present. For logistical and financial reasons, the company's strategy is to keep future plantations more concentrated. Maps shown to the delegation to illustrate the land use planning process suggested that Chikweti proposes that a large proportion (about two-thirds) of the land in certain areas should be allocated to plantations. The rest of the land would be reserved for buffer zones close to water courses, etc. and for agriculture close to settlements. Such a change in land use will only be beneficial to the local communities if there is support to facilitate a rapid transition to permanent agriculture.

If forest plantations in certain areas are increased in the way that these maps suggest, the traditional farming method will not be sustainable and will need to be replaced by sustainable and permanent agriculture.

As a starting point, proposals for future rural extension activities should be based on farmers' own knowledge and experience. Farmers can already manage some of the methods aimed at maintaining and improving soil fertility, but these methods become ineffective in a situation where their access to land, as well as the traditional fallow land and crop rotation system, is restricted and altered by the new private investment.⁶⁹

Alternative and indigenous species

As has been previously noted, large-scale plantation of exotic species such as eucalyptus decreases biodiversity and entails several environmental risks. There is there-

67 ORGUT, 2006, *Lichinga Field study: Linkages between livelihoods and natural resources*.

68 Gunilla Åkesson, André Calengo and Christoffer Tanner, 2008, *Study on Community Land Rights in Niassa Province, Mozambique*. (22 april–22 maj 2008)

69 Ibid.

fore reason to carry out small-scale trials with alternative, indigenous species that may become financially profitable in the long run. Here are a few examples of species that may be considered: a high-value hardwood suitable for planting in Mozambique is *Khaya nyasica* (red mahogany), with a rotation period of about 30 years,⁷⁰ along with *Milicea excels*, shown in Mombo, Tanzania to reach 37 metres in 41 years. Other natural occurring higher value Miombo species include *Pterocarpus angolensis*, *Azelia quanzensis* and *Millettia stuhlmannii*. The rotation period for teak (*Tecona grandis*) can be 80 years but may also be much shorter. Also *Podocarpus usambarensis* has a quoted rotation period of 50–75 years.⁷¹

The following species are suitable for production of firewood and charcoal and thus important to include in village woodlots: *Eucalyptus citriodora*, *Acacia nilotica*, *Acacia seyal*, *Markhamia lutea* (the latter makes good poles, too). Caution should be taken with *Accasia mearnsii* as it is known to be invasive.

Possibilities of intercropping

The *taungya* system in the tropics is, like shifting cultivation, a forerunner to agroforestry. Essentially, it consists of growing annual agricultural crops alongside

the forestry species during the early years of establishing the forestry plantation. The farmers tend the forestry seedlings and, in return, retain part or all of the agricultural produce. An obvious benefit for the forest company is that there is no need to spray the plantation with chemical pesticides. This agreement would last for two or three years, during which time the forestry species would grow and expand its canopy. Usually, during this period, soil fertility declines, some soil is lost to erosion and weeds infest the area, thus rendering crop production non-remunerative, if not impossible. *Taungya* is mostly used in Asia, originally with teak and rice followed later by rubber trees and rice, but also in e.g. Tanzania, with pine trees. Also *Acacia mearnsii* trees at Njombe are often established with *taungya* intercropping. It is also possible to use with eucalyptus when rainfall is high; it is at present being implemented in large-scale plantations of eucalyptus by forestry company Stora Enso in Laos.⁷² Given the high level of precipitation in Mozambique, it may be worthwhile trying out this system in Niassa.

⁷⁰ According to Sokoine University, Morogoro, Tanzania.

⁷¹ Suggestions given by Peter Murless, forestry expert working in Tanzania on reforestation projects supported by the Church of Sweden.

⁷² Sebastian Levall and Brita Prejer, 2013, *Inclusive business and shared values – Case study of Stora Enso in Lao PDR*. SLU.

Annex 3. Terms of reference and members of delegation

POSSIBILITIES AND CHALLENGES OF LAND INVESTMENTS AND DEVELOPMENT – LESSONS FROM MOZAMBIQUE

TERMS OF REFERENCE FOR FACT-FINDING MISSION TO CHIKWETI, 14–23 OCTOBER 2013

Background

The Diocese of Västerås is a partner in the Global Solidarity Forest Fund, GSFF, an investment fund that owns the forest company Chikweti. The investment in tree plantations is intended to contribute to economic development in the region as well as yield financial returns for the investor. However, Chikweti has not been able to deliver the expected results in terms of achieving financial, environmental and social goals. Furthermore the project has been the target of sharp criticism by local and international CSOs and media. One key concern relates to conflicts with local communities over land use, partly resulting from inadequate consultation. Other issues that have been raised relate to environmental impact and labour issues. Major changes have been carried out as of 2011.

Following the critique, a public seminar on forest investments was organised by the Diocese of Västerås in June 2012, with representatives from critical CSOs invited as speakers. A general conclusion from the seminar was that many of the issues that have been criticised have been addressed by the company following major changes in the management and policies of Chikweti in 2011. In a follow-up meeting to the seminar, it was decided that a joint delegation from the Church of Sweden national office and Diocese of Västerås should study the possibilities and challenges of forest investments in Mozambique. Chikweti will be used as a case and special focus will be put on the issues put under criticism and on the measures taken to improve management and policies in order to address them, along with the degree to which the improvements have translated into improved conditions on the ground.

Purpose

That representatives from the Diocese of Västerås and the Church Board, in cooperation with representatives of We Effect and an expert from WWF, will:

- *make a joint assessment* of the impact of the project, including the critical issues that have been raised;
- *increase knowledge* about the current situation in the project area;
- *relate* Chikweti and the development in Niassa in general to relevant ethical frameworks (e.g. UN Guiding Principles on Business and Human Rights, Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security);
- *identify lessons learned* and areas for further development/improvement.
- In addition, different participants may have specific additional purposes. Examples are given in the annex.

Questions to address

- What are the pros and cons of this type of initiative compared with traditional aid?
- How can land investments and traditional aid cooperate and add value to one other?
- What have been the main benefits and problems with Chikweti's operations, from the perspectives of the local community, company, owners and government?
- To what extent is there competition over land between traditional agriculture (shifting cultivation) and Chikweti plantations, in terms of area and geographically?
- What changes in Chikweti policies and management have been decided upon and implemented, and why?
- What are the results of these changes (financial, social and environmental)?
- To what extent does/did Chikweti respect relevant norms, including national land policies, Voluntary Guidelines on land tenure and the principle of Free and Prior Informed Consent? Which requirements are reasonable?

- To what extent are women involved and able to participate in consultations and local decision-making relating to Chikweti operations? Which requirements are reasonable?
- How do different stakeholders assess the current situation?
- What mechanisms are there for regular consultations at local level at which issues can be raised, e.g. complaints mechanisms?
- What lessons have been learned from the company perspective, from the local community and CSO perspective, and from the government perspective?

Delegation members*

NAME	FUNCTION/TITLE	INSTITUTION
Erik Ling	Manager of church property, Board member of GSFF	Västerås Diocese
Erik Sjöstrand	Board member	National Church Board
Erika Brundin	Deputy General Secretary	National Church Office
Gunnel Axelsson Nycander	Policy adviser, food security	National Church Office, International department
Anders Ölund	Policy adviser, natural resource management	National Church Office, International department
Kajsa Johansson	Former Country representative, Mozambique	We Effect
Diamantino Nhampossa	Country representative, Mozambique	We Effect
Lena Martens Kalmelid	Coordinator, Niassa Programme	We Effect
Peter Roberntz	Forest expert	WWF Sweden

* The auditor of the Diocese of Västerås, Iren Frändå, participated in parts of the programme. Her report is completely separate from this report.

Annex 4. Programme and people met

PROGRAMME

DAY 0: ARRIVAL MAPUTO INTERNATIONAL AIRPORT – MONDAY 14 OCTOBER 2013

DAY 1: MAPUTO – TUESDAY 15 OCTOBER 2013

TIME	ACTIVITY	PLACE
08.00–10.00	Introductory meeting – going through the programme with WE EFFECT Mozambique team, background information	WE EFFECT Maputo office
10.00–12.00	–	
12.00–13.30	Lunch	
13.30–16.00	Local researchers on development, poverty reduction, investment and economic growth in Mozambique (IESE and/or CIP)	WE EFFECT Maputo office

DAY 2: MAPUTO – WEDNESDAY 16 OCTOBER 2013

TIME	ACTIVITY	PLACE
08.00–10.00	UNAC (National Peasants' Union) and Friends of the Earth – Large-scale forest investments from a peasant's perspective	WE EFFECT Maputo office
10.00–12.00	Rural development and policy in Mozambique (João Mosca)	Universidade Politécnica
12.00–13.30	Lunch	
13.30–14.30	National Foresters' Association	
15.00	Development of the FSC standard in Mozambique	

DAY 3: TRAVELLING TO LICHINGA, THURSDAY 17 OCTOBER 2013

TIME	ACTIVITY	PLACE
05.00	To Maputo airport	
07.00	Departure from Maputo airport	
11.40	Arrival Lichinga airport and check in at Benilde's	
12.30–13.45	Lunch	Benilde's/casa Lena
14.00–14.15	Short introduction to We Effect office and staff	We Effect office
14.15–15.00	WWF, Lichinga	WWF
	Malonda	Malonda
15.00	Bishop Mark –courtesy visit, exchange of experiences on the role of the Church in large-scale investments for development	Diocese of Lichinga, Kuchijinji

DAY 4: LICHINGA, FRIDAY 18 OCTOBER 2013

TIME	ACTIVITY	PLACE
07.30	Departure for Chikweti	Benilde's
08.00–10.00	Presentation of Chikweti operation, including measures to improve the overall performance including financial, social and environmental aspects	Chikweti
10.30–12.30	UPCN (Provincial Farmers' Union), UCA, ROADS (environmental network) and ORAM (land rights organisation) on the impact of the large-scale investments on local communities. Moderator: Kajsa Johansson/Lena Martens Kalmelid	We Effect office
12.30–14.00	Lunch	
14:00–15:00	Iniciativa de Terras Comunitárias (ITC)	We Effect office
15:15–16:00	Association of Forest Companies in Niassa	We Effect office
16.00–17.00	Reflection and information on field visits	We Effect Lichinga Office
17.00	Free time	

DAY 5: SATURDAY 19 OCTOBER 2013, FIELD VISIT 1 TO VILLAGE WHERE CHIKWETI'S INVESTMENT IS PRESENT

TIME	ACTIVITY	PLACE
08.00	Depart for field visits from Benilde's Guesthouse	
08.30	Field visit to nursery and plantations, social visit to Chimbonila Village	
13.00	Lunch at 2+1 in Lichinga (Chikweti arranging)	
14.00	Luambala: Chikweti Soya Beans Project	

DAY 6: SUNDAY 20 OCTOBER 2013, FIELD VISIT 2 TO VILLAGE WHERE CHIKWETI'S INVESTMENT IS PRESENT

TIME	ACTIVITY	PLACE
09.00	Depart for field visits from Benilde's Guesthouse Licole – Community visit Community Agriculture	
13.00	Lunch in Metangula at Marvie's place	
14.00		

DAY 7: MONDAY 21 OCTOBER 2013: STAKEHOLDER WORKSHOP

TIME	ACTIVITY	PLACE
08.30–12.30	Stakeholder workshop. Pros and cons of large-scale investments: how can the private sector, civil society, local government and communities benefit and work together? Moderator: Kajsa Johansson	Kuchijinjji, Lichinga
12.30	Lunch with stakeholders	Kuchijinjji
13.30–14.50	Reflection, summing up, steps forward	Kuchijinjji
15.00–16.00	Courtesy visit – Provincial Department of Agriculture, DPA	DPA
19.00–21.00	Despedida – buffet dinner with We Effect staff and special guests	Director's house, Bairro Popular 3

DAY 8: TUESDAY 22 OCTOBER 2013 TRAVELLING TO MAPUTO

TIME	ACTIVITY	PLACE
09.00	To Lichinga airport	
15.00	Arriving in Maputo	
17.00	Meeting with the Embassy (head of development and programme officers)	Swedish Embassy

DAY 9: WEDNESDAY 23 OCTOBER 2013, DEPARTURE FOR SWEDEN**PEOPLE MET****People met in Maputo**

NAME	INSTITUTION
Anabela Lemos	JAI, Friends of the Earth Mozambique
Rogério Ossemame and Oksana Mandlate	IESE
Adriano Nuvunga	CIP
Abel Sainda	ORAM
Agostinho Bento	UNAC
João Mosca	Researcher at OMR
Anita Sandström	Swedish Embassy
Ann-Louise Olofsson	Swedish Embassy

People met in Lichinga

NAME	INSTITUTION
Bishop Mark Van Koevering	Anglican Church in Southern Africa, Diocese of Niassa
Revd. Helen Van Koering	Anglican Church in Southern Africa, Diocese of Niassa
Chris Bekker	Chikweti, CEO
Collin Church	Chikweti, Compliance Director
Carlos Almeidae	Chikweti, Finance Director
Gert Van der Merwe	Chikweti, Director of Operations
Antoon Odendaal	Chikweti, Director of Human Resources
Alberto Soares	Chikweti, CSR
Charles Mchomboh	Chikweti, (land lease process)
Hampus Hamilton	Chikweti, (land use planning)
Per Martin Larsson	Chikweti
Rajabo Simalaonga	Malonda, Director of Community Development Pillar
Platiel Chilaula	Green Resources, Programme Officer
Bernardo Freitas	Florestas do Planalto, former CEO
Eusébio Tumuitikile,	Provincial Director of Agriculture
Leonardo Abilio António	ORAM, (land rights organisation) Programme Officer
Zeca Malingamoio	ORAM, Field motivator
Minória Rexua	ORAM, Field motivator
Emilio Muampezar	ROADS (environmental network), Evaluation and Monitoring Officer
Virgílio Bento Benesse	ROADS Field motivator
Paulino Imede	UCA (Farmers' Union Lichinga)
Rogério Emilio	UCA
Nelson Jackson,	iTC, Iniciativa de Terras Comunitárias, Coordinator
Ventura Amisse	UCA, Programme Officer
Julio dos Santos Pêssego	UPCN (Provincial Farmers' Union), Coordinator
Safina Adriano	UPCN, accountant
Edgar Basilio Ussene	We Effect, programme officer
Ângelo Afonso	We Effect, programme officer
Amisse Momade	We Effect, driver
Aida Neves	We Effect, office manager
Lena Martens Kalmelid	Coordinator, Lichinga office, We Effect

In addition, the delegation met with a number of local residents and employees of Chikweti on field visits to the nursery, agriculture projects, Licole, and Chimbonila.

Annex 5. Excerpts from Chikweti presentation on Compliance & Sustainability

CHIKWETI FORESTS, 18 October 2013



INTERNATIONAL STANDARDS ORGANISATION vs. FSC®



Chikweti is in the process of implementing ISO 14001 and will consider other ISO standards as listed below and will implement some as we progress and the need arises.

- ISO 14001 – Environmental Management Systems Certification
- OHSAS 18001 – Occupational Health & Safety Management System Certification
- SANS 16001 – HIV and AIDS management systems
– General requirements (not certifiable)
- ISO 9001 – Quality Management Systems Certification
- ISO 26000 – Guidance on social responsibility (not certifiable)
- Hydrology
- Limnology studies

The advantages are as follows:

- All the standards can be implemented in modules as needed.
- We use FSC® Principals as the standard requirements.
- Each system can be audited individually if needed.
- All systems based on constant improvement.
- Cost implications are significantly less.
- As Chikweti become more and more comfortable and comply with all the standards we can apply for FSC® certification at a later stage if and when needed.

COOPERATE SOCIAL RESPONSIBILITY (CSR)



This is divided in two components as follows

- Fixed Payments
- \$ 2.00/ha

Variable payments :

- \$1.00/ha, Compliance burned Plantation
- \$1.00/ha, Compliance on Social (Project Implementation)
- \$ 1.00/ha, Compliance Invironmental

TOTAL SUM OF \$5.00/HA

LAND AND ACQUISITION PROCESSES:



- Area Identification
- Local community consultation – FIPC
- Provisional DUAT
- Demarcation
- Definitive DUAT
- EIA
- Baseline studies
- Satellite image
- Social survey
- Archaeological survey
- Environmental studies including:
 - Flora
 - Fauna
 - Soil studies
 - Hydrology
 - Limnology studies

SOCIAL



- Chikweti has signed Social Agreements with all the communities in its operational areas.
- The social agreements have set criteria which must be complied to.
- The agreements are endorsed by the local government.
- The communities receive an amount for every planted ha in its traditional area.
- An elected community committee is responsible for managing the funds according to the specific community's needs.
- The community committee must provide Chikweti with proof of what the funds are spent on e.g. water well, school class room, community hall, etc.
- Chikweti is monitoring the projects but do not prescribe to the communities on what to spend their money on.
- As the plantation area expand so will the social fund amount paid every year.
- The funds are made available once a year and will continue as long as there are trees planted on the community's traditional land.

Cover photo: Kajsa Johansson
Members of the delegation listen to community
leaders at a meeting in Licole.

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