

4. NFP STRATEGIES AND PRIORITY ACTIONS

The goal of the NFP (section 2) can only be achieved if key roles are well played (section 3) and this requires that the right strategies are pursued through practical actions. The following twelve sub-sections present key issues for forests and livelihoods, and present the twelve strategies developed by the NFP process which can collectively deliver the NFP goal. These are described under the following headings:

- 1. Manage the process of institutional change**
- 2. Optimise policy influences on forests and livelihoods**
- 3. Build local forest governance through decentralisation**
- 4. Support community-based forest management**
- 5. Improve individual smallholder livelihoods**
- 6. Strengthen forest extension**
- 7. Sharpen research and information systems**
- 8. Influence wood energy supply and demand**
- 9. Manage forest reserves**
- 10. Foster improved industrial forestry**
- 11. Increase wood production in the estate sector**
- 12. Develop forest sector financing**

Each strategy requires implementation through a set of priority actions, and these are presented in tabular form in the following sub-sections. These priority actions have been identified through the NFP process to date. Many of them draw on the spirit and detail of the National Forest Policy and Forestry Act and show how these policy documents can be implemented.

All of these actions are considered necessary if the NFP goal is to be met – some are major far-reaching actions which will take a long time, others are smaller and could be implemented quite quickly. The actions cannot be done all at once – some are more *important* than others, and they are not equally *urgent*. Hence they need to be prioritised and carried out in appropriate *sequence*. To ensure the prioritisation process reflects opinion in Malawi, it has been conducted with the participation of key stakeholders. A simple transparent system for prioritisation has been used – scoring actions against some basic criteria, then using the scores to rank the actions in order of priority. It is hoped that this transparency will itself stimulate further debate and the emergence of information that may in turn

raise the quality of decision-making in further 'rounds' of the NFP process (see section 2).⁴ Thus, in the following sub-sections priority actions are outlined against three factors:

- **Importance** – an estimate of how critical it is that each action is carried out, which includes the degree to which other actions depend on it. For simplicity, estimates of priority have been converted into one of three categories of importance – *very high, high or medium*
- **Urgency** – an estimate of how urgent each action is; some actions may be of very high importance but do not need to be done immediately, others may be less critical in overall terms but have to be done now. Again, for simplicity three categories are used – *immediate, short-term or medium-term*
- **Lead actor** – each action needs to be 'owned' by an institution or stakeholder group that will be centrally involved in *making the first moves* on that action. These 'lead actors' will need the help of others in almost every case. Thus, lead actors are the 'first port of call' for those interested in the activity – and the efforts of lead actors with their supporters should result in *catalytic* action – they set the pace and provide the inspiration to bring others on board. Lead actors are noted in acronym form (refer to acronym list at the front of this document).

The tables of NFP priority actions are not lists of ready-made projects, but of areas in which initiatives of various kinds are needed – some will need project support, some will not. The aim is to throw light on the sequence of actions needed, and to describe each action in just enough detail to provide a start point for initiatives.

4.1. Manage the process of institutional change

Political and economic transformation in Malawi has created new demands on public sector institutions and the roles they are expected to play. The Forestry Department and its parent Ministry of Natural Resources and Environmental Affairs remain the key institutions for forestry – and recent policy directions have handed them a highly challenging, more focused set of functions. For these functions to be fully effected, there is a clear need to reform – and not merely to cut back – the State's role. More interests are active in the sector now than ever before, and the question is no longer about whether to accommodate multiple interests, but how. These interests need to be co-ordinated – through collaboration and strategic planning.

⁴ The prioritisation system was tested at the December 1999 NFP Forum and applied to the draft list of actions at the March 2000 NFP Forum, and through subsequent consultation with a range of stakeholders. The criteria used were:

Environmentally beneficial – the degree to which the action safeguards or enhances ecological and environmental functions of forests and trees

Socially beneficial – the degree to which the action contributes to the alleviation of poverty and supports equitable and culturally appropriate development

Economically beneficial – the degree to which the action contributes to a stronger local or national economy

Institutionally feasible – the degree to which the action is possible with current and foreseeable future institutional and political realities

Affordable – the degree to which the action can be supported with the current and foreseeable future skills and money available

The actions were scored, by mixed-stakeholder groups, against this simple set of criteria – with no weighting between the criteria. Once the scoring was done, an estimate of the urgency of each action was made.

Issues

- Institutional structures are not well geared for a focus on forestry to meet the needs of the rural poor
- The gap between policy making and field action is not well bridged with two-way communication
- Institutional inertia is created by a culture and set of procedures which constrain bold decision-making and the pace of change.
- Institutional systems of human resource development, information management, participation mechanisms and finance are too weak to bring about innovation and to generate confidence to take practical action
- Internal incentive structures are based on observing the hierarchical norms of behaviour, not on rewarding individual or group innovation.
- Links between institutions that can produce stronger and more co-ordinated actions are under-used
- Decentralisation provides an important opportunity to reform service delivery, and ensure much greater efficiency and accountability.

A framework is needed to manage the institutional changes required at national and district level to orient forest sector institutions towards flexible and adaptive service provision for local livelihoods. In addition to its 'new' roles of facilitating action by civil society and the private sector, the Forestry Department will continue to secure traditional roles such as reserve protection, forest inventory and management planning, and enforcement of an essential set of regulations (see section 3). Improved capacity is therefore needed to: recognise and analyse new pressures; increase commitment to change and to secure core roles; undertake a change management process; and implement new approaches.

Policy-makers and national institutional players need a firm linkage to on-the-ground action to generate the knowledge and motivation to make effective changes. Conversely – local level action requires strong connection to these higher levels to be in tune with policy and to spread its lessons and scale up success. Thus, institutional change management and practical field-level actions need to be pursued in parallel – with regular two-way information flow and learning between them.

There are three main components of institutions on which change management should focus:

- **People:** developing shared vision amongst forest sector institutions on what needs to be done; capability to convert vision into practical actions; and motivation to carry out those actions or to modify them when they go wrong.
- **Structure and procedures:** commercialising plantations; mainstreaming forest extension; making decentralised staff effective; crafting effective co-management deals with communities; increasing strategic planning, monitoring and evaluation capability; establishing policy and economic analysis; and installing information systems useful for the above.
- **Finance:** releasing funding from non-core roles to core roles; decentralising budgets; developing new financing mechanisms; and accessing inward investment.

In short, a government forest service is needed which can support and promote a thriving forest sector and establish strong relationships with other tiers of government, as well as institutions outside government.

Strategy to manage the process of institutional change

Develop and pursue shared vision and practical steps for building the human resources, structures, procedures and finance which can improve forestry and livelihoods.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Generate firm political decisions on: the ownership and management of plantations; the responsibilities of different forestry players under decentralisation policy; and the core goal of sustainable management of forest goods and services for improved and equitable livelihoods	Very High	Immediate	MNREA MF FD
Re-shape FD organisational structures and procedures for ensuring: law and standards enforcement; private sector inward investment; plantation lease compliance; local government and community forest management; extension services; and monitoring and evaluation	Very High	Immediate	MNREA FD
Develop FD systems for generating and managing finance in the forest sector	Very High	Immediate	FD
Improve stakeholder dialogue and co-ordination – through continuation of the NFP Forum and other mechanisms	High	Immediate	FD MNREA
Increase numbers, capability and efficiency of forest extensionists, and increase collaboration with agricultural and other extension agencies	Very High	Short-Term	FD MA
Pursue strategy for more commercialised, demand-driven forest management training	High	Short-Term	FD MCFW
Install improved systems for human resource development in the FD: learning groups; exchange working visits; mentoring; in-service training and continuous adult education processes	Very High	Medium-Term	FD
Develop FD systems for information management and communication	High	Short-Term	FD
Develop standards for sustainable forest management – as a benchmark for practice at all levels	High	Medium-Term	MNREA
Improve FD job specifications, staff recruitment and staff development (performance and incentive) systems to increase professionalism and client-focus	High	Medium-Term	FD MNREA

4.2. Optimise policy influences on forests and livelihoods

Forest policy and law in Malawi (see section 1.4) aims to: strengthen core roles of government; increase involvement of the private sector and civil society; empower communities to manage forest resources on customary land forest reserves and protected areas; engage with international obligations and processes; and co-ordinate forestry with other sectors. Whilst being the core focus for the NFP, forest sector policies are not the only set of policies that affect forests and livelihoods (see section 1.4), and this section deals with the imperative to engage with the range of international and national influences on forests and people from beyond Malawi's forest sector.

The *Malawi Constitution* of 1995 lays a strong conceptual foundation for environmental governance, and it also establishes the improvement of rural living standards as a national policy objective. In the light of macro-economic policies and other market and institutional trends however, the real challenge is to achieve both of these objectives simultaneously – to improve the living standards of rural communities without destroying the environment in the process.

Extra-sectoral policy influences on forests and people – the key national influences from beyond the forest sector – can be divided into two main groups:

Policies influencing land use:

- **Land tenure policies** – define whether land, and with it potentially trees, is managed on the basis of short or long-term decisions. Currently, tenure is insecure for some people on customary land. However, some important land policy shifts have arisen following the Presidential Commission of Inquiry into Land Policy in the late 1990s: the prohibition on further transfer of customary land to leasehold or freehold status; systems for securing land rights in customary areas are to be investigated; and land rents are to be periodically reviewed so as to increase productivity of the estates, and increase employment opportunities.
- **Agricultural and livestock extension, pricing, buying and marketing.** In the past, government has promoted high input commercial agriculture for export by the estate sector whilst neglecting and even discouraging growing and marketing of export crops by smallholders on customary land. In contrast, the Ministry of Agriculture and Irrigation now aims to guide poverty-eradicating agricultural development inclusive of all lands. But much work is still required to address the dichotomy between estate and subsistence farming sectors.
- **Infrastructure** – access to, and efficiency of, roads, buildings, water and irrigation works are key determinants of the viability of forestry versus other land uses for both smallholders and large scale investors.
- **Protected areas and water catchment areas** – the state-managed patrimony of forest reserves represents a commitment to a permanent forest estate which is vital for conservation of

environmental services and biodiversity. The principles of forest conservation over large and small scales need to be applied in other protected area and watershed management programmes.

- **Settlement in urban and refugee areas** – land allocation for high-density habitation areas often results in woodland conversion; however where tenure security is high, urban areas have significant forest resources.
- **Education and family planning** – household capabilities to consider forestry are profoundly affected by the provision and experience of education, which in turn is linked to decisions about family size.
- **Environmental impact assessment** – policy demands that large development interventions and investment proposals must undergo impact assessment in all areas of environmental sensitivity – this requires aggressive implementation with a particular focus on incorporating social as well as environmental issues.
- **Environmental policy** – captured in the framework National Environmental Policy and the Environment Management Act (1996) – stems from nine key environmental issues developed in the *National Environmental Action Plan (NEAP)* of 1994: soil degradation; threats to forest, fisheries and water resources; threats to biodiversity, including wildlife issues; human habitat degradation; unsustainable population growth, climate change and air quality issues.⁵ The first *State of the Environment Report* was published in 1998, with two principal purposes: (a) to report on the current status of a number of selected environmental indicators, and (b) to report on progress made in implementing the NEAP. It is hoped that such a system of reporting and accountability will become installed in central government decision-making such that budget allocations and investment decisions become firmly linked to evidence of environmental improvement.

Policies influencing demand for forest goods and services:

- **Energy pricing and fuelwood alternatives** – the price and availability of e.g., paraffin and electricity is directly linked to demand for fuelwood
- **Transport and fuel pricing** – conditions the economics of forestry at different distances from markets
- **Credit access, market size, input trade and pricing** – defines whether investment in forestry is financially viable versus the relative merits of other land uses
- **Security services, law and order** – the degree of security of property defines whether trees can represent 'growing bank accounts' or insecure liabilities; policies which affect security and trust are therefore critical
- **Tourism** – visitors and their contributions to local economies may be partially reliant on landscapes defined by forests and trees
- **Information** – policies affecting the scale and scope of information generation, access and flow play a major part in determining who undertakes forestry activities, how and where.

⁵ The NEAP marked the birth of participatory policy-making in Malawi – with over 1,300 people contributing.

Macro economic policies in Malawi have turned away from the past development strategy, based on estate-led growth, towards a strategy centred on poverty eradication, with the following main elements:

- Smallholder agriculture as the main focus
- Private sector promotion and competitive markets rather than parastatals and excessive regulation
- Macroeconomic stability and a competitive exchange rate
- Expenditure focused on social services and safety net programmes which benefit the poor
- Instilling the spirit of poverty consciousness in planners and introducing a system of poverty monitoring.

These elements are addressed through policy instruments at the disposal of government which include:

- Taxation, regulation of capital flows, banking and borrowing regulations
- Budget allocation
- Investment rules – rules of business incorporation and registration, investment promotion, industrial free zones and export processing zones
- Market liberalisation, pricing, exchange rates and interest rates
- Government structural reform, including restructuring state enterprises and decentralisation.

These instruments are having positive effects: inflation is down and growth is increasing; primary school enrolment is up; smallholders are benefiting from market liberalisation; and diversification of crops is growing slowly. However, there are also some negative trends (see section 1.2), including: chronic land shortage and food insecurity; decreasing profitability of maize; increasing income inequalities – exacerbated by currency devaluation; and continued degradation of natural resources on customary land.

National Decentralisation Policy represents a major shift of the locations of governance in Malawi, which, when fully implemented, will transform not only what has traditionally been thought of as district administration, but also many of the functions which until now have been the responsibility of central Government institutions. The challenge of decentralisation presents radical demands for restructuring forestry (see sections 1 and 3) and will require foresters to work with District Administrations. Decentralisation offers foresters an opportunity to better articulate local demands from the forest sector and service providers. *District Environmental Action Plans* (DEAPs) represent the main environment-wide response to decentralisation, and commitment to developing and managing DEAPs throws down further challenges for inter-sectoral co-ordination at district level.

International influences stem from international efforts amongst governments and civil society to address environment and development issues. Malawi's international obligations with a bearing on forests and people include:

- Framework Convention on Climate Change (FCCC) and Kyoto Protocol – which sets rules for carbon emissions and initiates the process by which Malawi can potentially benefit from international carbon offset schemes

- Convention to Combat Desertification (CCD) – which commits Malawi to pursue a national plan for tackling desertification
- Convention on Biological Diversity (CBD) – which commits Malawi to incorporate conservation of biodiversity in all sectoral policies and land use decisions
- Convention on International Trade in Endangered Species (CITES) – which prohibits or restricts trade in a large number of plant and animal species
- International Labour Organisation (ILO) conventions – which commit Malawi to guaranteeing workers employment, health and safety rights
- Reporting to the UN Commission on Sustainable Development (CSD), and the Food and Agriculture Organisation (FAO) – these progress reports are required under UN agreements
- Implementing proposals of the Inter-governmental Panel on Forests (of the CSD) – a UN Forum on Forests has been set up to monitor and support countries pursuing these proposals under the framework of national forest programmes (see section 1.4).

In addition to these obligations, several civil society efforts have the potential to shape the forest sector in Malawi. These include the World Bank/World Wide Fund for Nature Alliance targets on protected area establishment and certified forest areas, the Forest Stewardship Council (FSC) principles on sustainable forest management and various other initiatives to develop criteria and indicators for sustainable forest management. Steps taken to develop and implement clear standards for forest management in Malawi are likely to be influenced and supported by these international initiatives.

Influences on Malawian forests and livelihoods also stem, to a greater extent, from the inevitable, but currently inadequately controlled, trends of 'globalisation' – which are manifest in increasing penetration to local levels of the global economy, trade and information technology. Market conditions and money flows, which are conditioned by these trends and have strong influence in Malawi, include:

- Southern African Development Community (SADC) trade and economic agreements – which may be further streamlined and in some cases superseded by World Trade Organisation (WTO) rules on non-discriminatory trade and investment
- Aid programmes – which depend on bilateral and multilateral political priorities, and are likely to continue to support forestry development in Malawi at significant but relatively low levels
- Timber and pulp markets – which largely determine Malawi's comparative advantage for investment in industrial scale forestry
- Foreign Direct Investment – which is strongly influenced by considerations of Malawi's political and economic stability, and of its procedures for investment and business management
- Trans-national corporation conditions and tactics – which in the forestry sector are currently beset with company mergers, acquisitions and realignments, but which in the future are likely to generate increased interest in forest sector investment in Malawi
- Emerging markets for carbon and other environmental services – which in time may enable Malawian stakeholders to capture value from markets for forest services such as watershed protection, carbon management and recreation.

Issues

- The drive to empower local forestry is in conflict with some elements of land and agricultural policy, and in general forest policy still requires better integration with a range of other sectoral and environmental policies
- Whilst trees and woodlands play a critical role in sustaining the livelihoods of the vast majority of the population of Malawi, the real value of forest resources is not fully recognised in macro-economic policy decisions
- Increased roles for the private sector are constrained by red tape affecting conditions for inward investment
- Implementation of the core forestry roles of government is constrained by some macro-policy decisions such as low budget allocations, and conflicting signals on privatisation and decentralisation
- International influences on forestry in Malawi have in practice been minimal until recently – but are growing fast.

Forestry alone cannot address increasing poverty trends, nor can forestry initiatives be sustainable unless these trends are reversed. However, the forest sector can and must play its part in pulling sectors together to tackle these trends.

Strategy to optimise policy influences on forests and livelihoods

Create opportunities and institutional capability for international, macro-economic and extra-sectoral influences to complement and help realise forest sector objectives.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Install and implement a mechanism for consultation between NFP co-ordinators and political decision-makers	Very High	Immediate	MNREA
Build and use a network of those with skills in extra-sectoral and forest sector policy analysis	High	Short-Term	NGOs Univ. FD
Develop FD systems for generating and managing finance in the forest sector	High	Short-Term	MF MNREA DCG
Optimise mechanisms for pursuing NFP strategies through inter-sectoral coherence and donor complementarity and co-ordination			
Develop information, skills and dialogue fora in forest sector to argue the case for sustainable forestry at macro-political levels	High	Short-Term	FD NGOs
Revise forest policy, statutes and regulations to: remove inconsistencies, draw on international developments (e.g., carbon offsets and biological resource rights), enable smallholder and community management, and support decentralisation	High	Short-Term	MNREA
Develop valuation and accounting methods to incorporate real resource values in policy making and pricing	High	Short-Term	MF FD

4.3. Build local forest governance through decentralisation

Decentralisation by the FD must be set within the broader context of political decentralisation from central government to District Assemblies (see sections 3 and 4.2). The issues need to be faced squarely and the FD needs to start planning. The capacities of District Assemblies to take on new responsibilities for forest management need to be investigated before these functions are decentralised from the FD.

Hand in hand with the need for the FD to decentralise in relation to the demands of political decentralisation is the need for internal reform of the FD’s roles, structures and procedures. In deciding what to decentralise and whether to create new institutional structures, the costs and benefits should be carefully weighed up. Some districts need forestry technical support services from the central government more than others.

Issues

- Decentralisation changes the division of responsibilities, in terms of both functions and areas, for forest management between the FD headquarters, the FD’s foresters at district level and the District Assemblies.
- Distribution of revenue from forestry between the FD and District Assemblies also needs to be re-negotiated.
- Some form of ranking of districts may be needed to prioritise support services from central level, and consideration given to replacing three regional bases for technical services with more appropriate mobile bases.
- Some DFOs will need to have capacity substantially upgraded to ensure they have the responsibility and authority to negotiate with District Assemblies

Strategy to build local forest governance through decentralisation

Respond to the imperatives and opportunities of decentralisation by supporting development of effective institutions at village and district level, and gradually devolving control of forest resources to them.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Develop village - and district-level institutions for effective draw-down of forestry extension advice and district funds for village forest areas, smallholder forest production systems and micro-enterprise	Very High	Short-Term	DAs DFOs FD
Devolve management responsibility and develop skills within district forestry staff for site-specific planning, forest management agreements and licensing	Very High	Short-Term	FD DFOs
Prioritise districts on the basis of central forestry services required by them, and allocate resources and mobile support teams, accordingly	Medium	Medium-Term	FD

4.4 Support community-based forest management

Customary land forests cover a total area of about 8,850 square kilometres [FD CHECK]. In addition, there are substantial areas of open woodlands and scattered trees. The indigenous forests are of 'miombo' type characterised by the predominance of *Brachystegia*, *Julbernardia*, *Isobertlinia* and various species of *Acacia*. Outside the forest areas and open woodlands there are a variety of planted exotic tree species that characterise the landscape on customary lands. These include mangoes, eucalyptus, acacias (senna), *gmelina*, neem, and *cedrella*.

Indigenous forests, originally widespread, have been the major source of additional agricultural land. In addition to providing much of the country's fuel for domestic and industrial uses, they are the main source of many essential products for the rural poor: fuelwood, pole and timber for construction and hand tools; and important non-timber forest products such as thatch, mushrooms, caterpillars, bushmeat, medicinal plants and materials for handicrafts. These forests also help to ensure supplies of fresh water, prevent flooding, protect crops from wind damage, stabilise soil and avoid excessive siltation of riverbeds downstream.

Many rural communities neighbour forest reserves, and in some cases the pressure for fertile farming land results in their illegal settlement. The apparent absence of active management of reserves is a recipe for local disregard of the need to protect them. Forest guards often have a low profile and have variable abilities to enforce reserve protection laws. This is not helped by a lack of financial resources and of incentives for enforcement.

However, recent forest policy shifts provide new possibilities for reserve management. Whilst protection through law enforcement will remain critical in some areas, it is now also possible to investigate reserve management with higher degrees of local stakeholder inclusion and control. Under principles of co-management day to day decision-making control over indigenous forest reserves can now be transferred to adjacent villages where interest and local institutional capacity for this exist.

Community-based forest management, in its broader sense covering customary lands as well as forest reserves, is a concept with major potential to realise the drive for participation of communities, NGOs and, potentially, the private sector alongside government in the management of woodland on customary land and forest reserves. The challenge of re-orienting forest staff traditionally skilled in forest policing towards developing their extension and facilitation skills is a major one, but there is a considerable body of information and experience to draw on from experiments in the forest sector and other natural resource sectors – notably fisheries and wildlife.

Issues

- Miombo woodlands on customary land are host to most of the forest clearance and unsustainable harvesting of forests and trees occurring in Malawi. The highest pressure is in Central region (39% of population), whilst the lowest is in Southern region (50% of population) where there is little forest cover left. Pressure in the Northern region (11% of population) is increasing

- High demand for forest products, notably fuelwood, is liquidating forest assets and growing stock. Driving forces for these effects are to be found in deficiencies of policy, markets, information and education
- Tenure over trees is often ambiguous, and in some areas difficult to enforce, resulting in theft
- Information and incentives for forest product management are weak
- Policy signals related to forest reserves are often conflicting, misrepresented or misinterpreted by local stakeholders with negative impacts on the forest
- Rights and responsibilities for co-management arrangements are as yet uncertain

Strategy to support community-based forest management

Empower groups at community-level to collaborate with government and others in managing forest reserves, develop forest-based enterprise and carry out good management of forest resources on customary land based on clear mechanisms of ownership and control.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Adopt a flexible approach to involvement of village institutions in forest management – (Village Natural Resources Management Committees may prove to be useful bodies, but a range of other village bodies and coalitions may have capabilities) and train village institutions, frontline forest extension staff, and middle-level managers in participatory management arrangements	Very High	Immediate	FD DFOs NGOs
Approve VNRMC constitutions and bylaws where they are in compliance with the Forest Act, or provide feedback where modifications are necessary	Medium	Immediate	FD MNREA
Formulate, test, adapt and adopt clear procedures and guidelines for forestry staff and communities to use in the management of local woodlands	Very High	Short-Term	FD DFOs
Use the procedures and guidelines to form the basis of staff training and an information campaign about the implications of policy and legislation	Very High	Short-Term	DFOs NGOs
Develop simple management plan formats and prepare, implement and monitor such plans, with indicators, for all parcels of communal forests	Very High	Short-Term	FD DFOs
Convert national standards for sustainable forest management into simple and appropriate local standards	High	Short-Term	DFOs FD
Undertake social, environmental and economic assessment of co-management initiatives related to forest reserves and customary land on a case by case basis before implementing such arrangements	High	Short-Term	FD NGOs
Instigate co-management initiatives between government and communities living around reserves in areas where both consider it feasible to do so; focus early initiatives on relatively 'safe sites' of low risk	High	Short-Term	DFOs FD NGOs

4.5 Improve individual smallholder livelihoods

Farmers in Malawi have a long tradition of planting and managing trees within crop lands, field boundaries and around their homes. Surveys have recorded up to seventy species of trees that are deliberately retained or planted by farmers in crop lands. Smallholder households typically secure fuelwood from land clearing, lopping and pollarding of on-farm trees, and gathering dead wood from bush fallows (complemented by use of agricultural residues such as maize, millet, tobacco, cotton and pigeon pea stalks).

Past forestry initiatives in support of smallholders have tended to abstract trees out of their livelihood strategies context – and have concentrated on improving technical efficiency and user education to increase adoption of extension packages. Insufficient attention has been paid to the complex mix of activities often involved in farmer livelihoods, and the balance of risks and willingness to pay. Technologies such as planting trees for fuelwood, or utilising fuel-efficient stoves in the rural context are generally time (rather than money) saving technologies, since the majority of households collect their fuelwood for nothing. Willingness to pay for them is low – because there is little logic to investing precious financial resources in saving time, even if shortages require people to work longer or walk further for fuelwood. However, in some areas the critical turning point has been reached – and rural households are buying fuelwood.

But in general, households in rural areas are not interested in planting trees for the purpose of firewood alone, as there are more cost-effective ways for them to obtain fuel. Smallholders may make a range of substitutions and trade-offs between nurturing trees and other activities – and their decisions are based not solely on income-generation, but also (and often more importantly) on reducing vulnerability. Smallholders thus need advice and inputs on a wide range of tree species to meet different needs, such as for fruit, shade, fodder, and soil fertility improvement.



Picture: Bright Sabale

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A major new emphasis on production forestry is called for, and it appears that a large number of small and medium scale farm forestry and commercial tree growers will be needed, growing and managing trees as part of broader livelihood strategies.

Issues

- The partially enforced policy which bans unlicensed indigenous fuelwood and charcoal selling may reduce the incentives to manage woodlands and indigenous trees
- Lack of information on forest management, and on forest product processing, packaging and marketing, and deficiencies in environmental education at tertiary level, have resulted in a low out-• Past experience regarding the provision of subsidies in forestry programmes suggest that they should not be used except where there is a genuine need which cannot be met through existing services. It is important not to undermine private enterprises (such as private nurseries) through the use of subsidies

Strategy to improve individual smallholder livelihoods

Increase the contribution of forest goods to improving smallholder livelihoods through better access to information, high quality planting material and other inputs, small-scale contracting services, and finance for tree management.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Enable local institutions in high fuelwood demand areas to provide support to growing privately held trees by fostering trust and making such trees and woodlands sufficiently secure	Very High	Immediate	DAs
Explore and promote partnerships between micro-entrepreneurs or small holders and others (such as government and private sector plantations, NGOs, and the estate sector) e.g., outgrower schemes, equity sharing enterprises, contract tree-growing on estate or smallholder land, and small-scale charcoal production in private plantations	Very High	Immediate	PS NGOs FD
Package tree-growing and agroforestry inputs (seed, fertilisers) in lots affordable by smallholder farmers through existing outlets for agricultural inputs and new private entrepreneurs	Very High	Short-Term	MA PS
Improve the viability and spread of more sustainable forest-based enterprise, including: fuelwood and charcoal; poles for construction; fibre for roofing; pit-sawing, mobile/small-scale saw-milling; furniture, curio and craft making; medicines; bee-keeping; livestock grazing in woodlands; and food and fruit juice production.	High	Short-Term	NGOs PS Univ.
Limit the provision of subsidies for tree planting to areas where there is a genuine need which cannot be met through existing services (otherwise private enterprise will be undermined)	Medium	Medium-Term	FD NGOs



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4.6 Strengthen forest extension

In the past, extension efforts concentrated on providing subsidies for planting of fuelwood trees with the aim of reducing pressure on existing woodlands. This strategy failed to recognise the real cause of woodland clearance, and did not provide direct support for local management of woodlands. Furthermore, extension staff were involved in enforcing the unpopular system of royalties and controls on sale of woodland products, which have served to undermine local management efforts, and caused considerable suffering through the loss of sources of essential income.

The challenge is to build a forestry extension service where farmers, individuals, private owners, and other relevant organisations are organised and able to lobby for the technical assistance which they consider priority. The demand capacity of the beneficiaries (farmers, etc.) must dictate the quality and effectiveness of the extension support.

Issues

- Credibility of the forestry extension service: past policies and practices have severely compromised the image of the FD in the eyes of local communities. The level of trust local communities have in the forestry staff needs to be improved.
- Effectiveness and efficiency of the forestry extension service: a more effective, equitable and accountable extension service is needed that can strengthen existing local experience and capabilities
- Small numbers of ill-equipped frontline extension staff
- Inadequate co-operation and co-ordination with other sectoral extension agencies, including NGOs – although there are districts in the country where such co-operation has been successful and lessons can be drawn from these areas

Strategy to strengthen forest extension

Deliver appropriate extension and advisory services to farmers and small estates, based on sound technical packages, including agroforestry and woodlots, capable of adaptation to meet client needs.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Develop a programme of re-orientation of forestry staff, including attempts to acknowledge and redress past wrongs and a commitment to building trust through working to support and encourage local initiatives	Very High	Immediate	FD DFOs
Develop partnerships between forest, agriculture and other extension service providers, building on experience in districts where this is underway	Very High	Immediate	FD, MA NGOs
Improve the skills of staff to work with rural communities through training (courses and experiential learning) in communication, facilitation, gender analysis, extension delivery and participatory forestry approaches	High	Immediate	NGOs FD
Provide investment, trade and market information through extension services	Medium	Immediate	FD
Generate and disseminate user-friendly information and simple technologies that can be adapted for different site conditions and demands to promote multiple functions of trees in farming systems	Very High	Short-Term	FRIM FD NGOs
Work to deliver extension through existing institutions and groups (gule wamkulu, limama, church groups, youth groups) as well as special interest groups – (burley clubs, fruit associations), and facilitate ‘farmer-to-farmer learning’ (cross farm visits)	Very High	Short-Term	NGOs DAs
Improve mobility and infrastructure for field-level extension work	High	Short-Term	DAs, NGOs
Continue recruitment and training of additional field extension officers in accordance with government-approved target levels	High	Short-Term	FD

4.7 Sharpen research and information systems

Whilst Malawi's research institutions are strong in key areas of silviculture and some other disciplines needed for better forestry, there are important gaps in the knowledge needed for better forestry and livelihoods, with the result that considerable recycling of old information and assumptions takes place. This is not surprising, since like the forest sector of many other countries, capacity for getting the right information generated and channelled to the right people at the right time is weak. Improved systems for generating, managing and utilising information for better forestry and livelihoods are therefore a key focus for the NFP.

Government capability for research in forestry is centred on the Forestry Research Institute in Malawi (FRIM). FRIM's mandate has grown over the years and it now aims to develop and refine appropriate forestry technologies for a wide spectrum of users within and outside the Department of Forestry. These include the private sector and smallholder farmers. Other research organisations join FRIM in this task, they include: the University of Malawi through its constituents at Chancellor and Bunda Colleges, Mzuzu University, Department of Agriculture Research, and the Agricultural Research and Extension Trust (ARET). These agencies also collaborate with key international organisations such as the International Centre for Research on Agroforestry (ICRAF), the African Forestry Research Network (AFORNET) and the Center for International Forest Research (CIFOR).

Issues

- Whilst some mechanisms exist for stakeholder consultation on research needs, as a whole the research network lacks a widely-shared vision of the priorities for research in the sector
- Capacity is generally weak in key areas of social, economic and policy analysis and in converting silvicultural and environmental research findings into practical and disseminated prescriptions
- Key areas where existing research and information work needs to be built on include:
 - improved productivity of trees, plantations and woodlands
 - practical multiple land use systems, incorporating methods for improved soil fertility to allow continuous cropping, and soil and water conservation measures to allow cropping of marginal land
 - methodologies for the efficient utilisation of timber and non-timber products in plantations, natural woodlands and farm landscapes
 - techniques for protecting trees from pests and diseases
 - policy analysis, socio-economic research, economic analysis and evaluation of existing and planned programmes
 - information managing, packaging and dissemination systems to enable better identification of key issues, communication during research, and spread of findings

Strategy to sharpen research and information systems

Develop and improve the targeting, implementation, packaging and provision of research and information services for the forest sector to meet the demands of improved forestry and livelihoods.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Evaluate all existing forest research and make existing information on forest assets, demands and uses more useful through a strengthened network approach to information packaging and management	High	Immediate	FD
Implement a research and communication strategy which links research activities in a range of sectors and enables the gaps to be filled in the ecological, social and economic knowledge needed for improved forestry and livelihoods	Very High	Immediate	FRIM
Increase the competitiveness of FRIM by giving it greater autonomy from government and developing its responsiveness to research demand	High	Short-Term	MNREA FRIM



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4.8. Influence wood energy supply and demand

After forest clearance for agriculture, off-take of fuelwood is the major use of much of Malawi's forest resources. It is estimated that about 70% of demand for wood originates from urban and rural households (10% and 60%, respectively), whilst about 30% of demand stems from tobacco and tea estates (see section 4.11). It is further estimated (based on mean annual increments) that forest resources on customary land make up about 4.5 million cubic metres of Malawi's potentially sustainable supply from existing forest resources of 7-8 million cubic metres (see section 1.2). However, demand from rural households alone is perhaps double this amount.

Past donor-supported forest programmes in Malawi were heavily influenced by "fuelwood crisis" thinking, which underpinned international approaches to support for forestry in developing countries throughout the 1970s and into the 1980s. Large investments were made in rural fuelwood programmes, which largely failed to meet expectations since they were based on inadequate understanding of household incentives, coping strategies, and shifts to other fuel sources.

Issues

- Wood energy policies and programmes have over-emphasised planting trees for fuelwood and fuel-saving technologies in rural areas – which overestimate people's willingness to pay for these approaches
- Customised instruments and approaches need to be geared to the specific characteristics of genuine markets for fuelwood



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Strategy to influence wood energy supply and demand

Stimulate private investment in fuelwood production whilst at the same time keeping fuelwood prices affordable for consumers, by focusing regulatory and incentive instruments on specific characteristics of urban fuelwood markets, the tobacco industry, and micro-enterprises.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Revise wood energy policies and programmes such that they focus on three main sectors: urban fuelwood markets, the tobacco industry, and micro-enterprises	Very High	Immediate	FD TAMA
Analyse rural household energy supply and demand to clearly identify the incentives and constraints to the adoption of fuel sector interventions on both the supply side (afforestation) and demand side (fuel-saving technology)	High	Immediate	FD Univ.
Develop pricing policies which avoid subsidy but aim to keep fuelwood prices affordable for the urban consumer, whilst at the same time stimulating private investment in fuelwood production (stumpage price increases to be treated with caution and if at all, introduced in small frequent increments rather than fewer large increments)	High	Immediate	MF FD
Consider levying a tax per kilo of tobacco production to bring cost of production of use of indigenous timber from customary land on a par with the costs of using timber from planted sources on estates (funds generated to be used for plantation establishment)	Medium	Immediate	TAMA FD

4.9 Manage forest reserves

Some 30 per cent (7,905 square kilometres) of the forest cover in Malawi is contained in some 69 Forest Reserves. Many of these reserves were created primarily for watershed protection, and are hence located on mountains and escarpments. Some were created primarily with urban wood supplies in mind. The reserves are mostly indigenous forests that do not have high industrial potential but many have local commercial importance. Other services provided by forest reserves include soil conservation, mitigation of erosion by wind and water, regulation of sediment run-off thereby improving fisheries, recreation and maintenance of biodiversity.

Many of the services provided by forest reserves do not have direct 'market values' – and some people may only recognise the worth of these services when they are gone. However, it is possible that services



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such as watershed regulation may command market value in Malawi in future, whilst other services such as biodiversity protection and carbon storage may have potential in international markets.

Forest reserves are also the source of many non-wood products. These include grass for thatching, medicinal plants, game, fruits, honey, insects, vegetables and other foods. Most of the non-wood products are consumed or traded locally by households living in proximity to forest reserves, and some – such as dried mushrooms and baskets – are marketed more widely. Certain non-wood products have potential international markets as well, such as cane chairs made from bamboo and vines.

Issues

- The justification and legitimacy of forest reserves in some areas is challenged, and the current methods and benefits of their management are failing to satisfy the increasing demands of people and institutions with different needs and perceptions
- Resource pressure and encroachment on reserves is increasing – with driving forces stemming from inadequate information, weak sanctions, and absence of local involvement in management
- Manpower and financial resources for management are inadequate

Strategy to manage forest reserves

Bring forest reserves into effective management for sustainable production through integrated land use systems delivering a wide range of products without detriment to forest environmental services.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Enforce the requirement for Environmental Impact Assessment (EIA) for any major development that takes place in forest reserves	High	Immediate	MNREA
Target the provision of basic requirements for reserve law enforcement to where it is needed most	Medium	Immediate	FD
Encourage the formation and evolution of Local Forest Management Boards around forest reserves to ensure co-ordination of plans, activities and monitoring	High	Short-Term	DFOs NGOs DAs
Through an appropriate consultation process with local and national stakeholders, revisit the status of 'proposed' forest reserves and conclude on their return to customary tenure or formalisation of protected status	Medium	Short-Term	FD
Prepare practical planning guidance for all forest reserves, and outline maps and plans for each forest reserve with basic zonation to define the broad categories of forest and land management to be pursued	Medium	Short-Term	DFOs
Develop joint studies and partnerships between government, NGOs and private sector for management in reserve areas of outstanding scientific or recreational interest	Medium	Short-Term	NGOs DAs PS

4.10 Foster improved industrial forestry

Timber plantations on public land. Timber plantations have been established in forest reserves, mostly in the more sparsely populated Northern Region, notably on the Viphya plateau and the Nyika plateau at Chelinda, but also in Central Region at Dedza, and in the South at Mulanje and Zomba. There are about 68,000 hectares of softwood plantation – mostly pines, of which the Mexican pine *Pinus patula* dominates. Growth rates are reasonable with mean annual increments of 14 to 20 cubic metres per hectare per annum. There are also about 3,700 ha of hardwood, mainly *Eucalyptus grandis/saligna*.

These plantations are owned and managed by the state through the Department of Forestry. Most of these plantations were established in the 1950s – those in the north were originally designed to supply a pulp industry, which has yet to materialise. Potential investors to date have been put off by the difficulty of accessing world markets, the costs involved in transport, the environmental danger to Lake Malawi from effluent spillage, and changes in paper technology.

It has been estimated that the plantations can produce about 1 million cubic metres per annum of which 0.9 million cubic metres could be produced from the Viphya plantations alone. This represents about 14% of Malawi's potentially sustainable wood supply (see section 1.2), on only 3% of its closed forest area.

Pole and fuelwood plantations on public land. About 22,940 hectares of pole and fuelwood plantations have been established. The major species are *Eucalyptus grandis/saligna*, *E. camaldulensis* and *E. tereticornis*. Mean annual increments vary widely from 10 to 40 cubic metres per hectare per year depending on altitude and precipitation. Whilst these pole and fuelwood plantations are now mature, long distances to major market centres and increasing transport costs have to date made these resources relatively unattractive to wood merchants.

Wood-based industry. In recent years, the State has withdrawn from several wood-processing enterprises, the development and ownership of which were formally a mainstay of its development plans and objectives for the sector. All processing enterprises – with the exception of some comparatively small functions essentially related to training – are thus now in the hands of private entrepreneurs. This move has been partly prompted by fiscal issues (all the processing enterprises ran at a loss to government at a time of great pressure on public finances). However, it also reflects a fundamental switch in national policy in all sectors of the economy towards recognising the role and potential of the private sector in generating economic development.

The net result of changing objectives and conditions for plantation establishment over the years has been the creation of a number of small, isolated and currently uneconomic timber plantation units and a huge over-mature pulpwood plantation, most of which has not been thinned or pruned. Under-utilisation of the industrial plantations is in part the result of distance to markets for round wood. The majority of wood sawmilling and processing enterprises are located in the south – many located near Blantyre. They have focused in recent times on Zomba Mountain, yet there is little resource left there and wood shortage is becoming acute. Yet transportation of round wood from the north to industries in



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the south has to date been financially prohibitive. In the case of the Viphya resource, in the absence of a pulp mill for which it was primarily designed, incentives are needed which could establish investment in production of fibreboard, chipboard, etc..

Despite the potential productivity of Malawi's plantation resources, only about 0.26 million cubic metres (about one-quarter) of the total production per year is actually utilised by the current wood processing industry – perhaps half of this by the formal sector, and the other half by the informal pitsawing sector.⁶ In Southern Malawi, the wood industry is suffering its own direct resource losses, and cites security problems as discouraging private sector investment in industrial plantation management.

Industrial plantations are one of the Government of Malawi's largest investments, yet financial constraints placed on the Department of Forestry, particularly since the early 1990s, have prevented the Department from properly managing, let alone developing, the plantations. Fires have presented a major problem in recent years, and this has been exacerbated by financial constraints leading to retrenchment of field workers who were employed to protect the plantations from fires, theft and damage.

It has been suggested for a number of years that greater involvement of the private sector might improve this situation, and the Treasury has asked for ownership and management options for these state-owned plantations to be developed. Yet there is inadequate capability within the Department of Forestry to develop sound concession agreements, monitor their performance and enforce penalties in case of breach of contract.

Issues

- Investment in the management, development and protection of state owned industrial timber plantations is inadequate
- Current private sector interests have limited interest in plantation management since they have traditionally benefited from a government-subsidised resource.
- Government-private sector partnerships are weak
- Lease/concession agreements are weakly developed in terms of efficient, effective and equitable plantation management, and are poorly enforced
- Plantations and their associated enterprises have not optimised their contributions to rural livelihoods.
- Resource utilisation in forest and mill is inefficient
- Markets for value-added forest products are currently small, and investment is weak

6 Furthermore, this current level of utilisation is inefficient. In 1998/99 the estimated production of sawn timber from the wood supplied by the Viphya plantations alone was estimated at 0.2 million cubic metres. This estimate includes an estimated 30,000 cubic metres of pitsawn timber. However, recorded sawn wood production by the wood processing industry was only 42,500 cubic metres.

7 Initial proposals led to the Privatisation Commission's announcement in 1999 of the sale of the state-owned Viphya Plywood Company and a 20,000-hectare concession in state plantation to RAIPLY. The concession is for a period of 30 years, which is about one rotation of good growth-rate ('class A' type) *Pinus patula* planted on high altitude grassland (greater than 1,500 metres above sea level). The concession agreement provides for a possible renewal of another 15 years. However, it is generally agreed that the concession agreement has shortfalls that need to be clarified to meet the expectations of both the Government and RAIPLY

Strategy to foster improved industrial forestry

Foster profitable, resource-efficient and socially beneficial forest industry through organisation of investment conditions and the process of transition of some plantation management roles from government to the private sector.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Generate a firm political decision on the management and ownership of plantations	Very High	Immediate	MF MNREA
Strengthen fire-management systems involving government, communities and private sector (prior to full devolving of responsibility to private sector – see below) by improving skills and infrastructure	Very High	Immediate	FD PS
Conduct supply-side research on plantation resources, sustainable yield and employment levels in the commercial plantation sector	Very High	Immediate	FD
Develop management plans for potentially viable plantation units	Very High	Immediate	FD
Conduct demand-side research on existing wood using industries and enterprises: wood fibre flows, and price and cost analysis, and Malawi's comparative advantages in the forest industry	High	Immediate	FD
Establish a Contracting and Leasing Unit (CLU) in the Forestry Department and build capability to learn lessons from plantation management and to develop, manage and monitor performance of contracts and leases.	Very High	Short-Term	FD
Devolve responsibility for plantations to the private sector through contracts and leases (government retaining ownership of land), with conditions for: management, participation, social responsibility, fees, duration (up to a 99 year ceiling conditional on 5-yearly evaluation of performance), and performance bonds	Very High	Short-Term	FD PS
Investigate mechanisms for public-private partnerships and consider establishment of Local Forest Management Boards – for areas where plantation management is a key issue	High	Short-Term	DAs FD
Support capability of investment promotion agencies to enable brokering of forestry deals and use the improved information base to conduct a transparent transaction process for “packaging”, marketing and allocating forest leases	High	Short-Term	MIPA

4.11 Increase wood production in the estate sector

Estate production of tea and tobacco is one of Malawi's major economic sectors. Tobacco and tea estates are also major consumers of forest resources – it is estimated that about 30% of the demand for wood in Malawi originates from tobacco and tea estates. Most of the 15,000 hectares of private commercial wood plantations are found on tea and tobacco estates. The small number of long established tea estates are more or less self-sufficient in wood. However, the wood demand of the estate sector as a whole surpasses what they produce.

During the 1980s Malawi emerged as a major player on the international tobacco market, and today tobacco estates cover about 850,000 ha. The majority of estates obtain their fuelwood from outside sources, particularly from customary land and government plantations. According to the Agricultural Research and Extension Trust, 60% of wood for tobacco estates comes from natural woodlands while 40% comes from plantations. Among the large tobacco estates the Kasungu Flue Cured Tobacco Authority (KFTCA) appears to be self sufficient in supplying wood to its growers but is still over-harvesting natural woodlands, while the largest producer, Press Agriculture, meets about half of its wood needs from own resources. The other half is obtained from charcoal from Viphya (25% of its requirement) and indigenous wood from customary land (25% of its requirement). In general, it has been noted that only 15% of tobacco estates are self sufficient in wood while over 50% of estates cannot supply even half of their own requirements. Although all estates are legally required to maintain 10% of their land area under tree cover (natural or planted), in many cases this requirement has not been met and neither has it been enforced.

Nevertheless, the estate sector has potential to play a much greater role in wood and timber production. Given the financial muscle and technical capabilities of the estate sector coupled with the land area available on estates for tree planting, this sector has much to offer in increasing production and productivity of forest resources in the country.

Issues

- Inefficient land utilisation with respect to forest goods and services
- Weak enforcement of forestry commitments
- Consumption from unsustainably managed sources
- Inefficiencies of the curing process, requiring improved technology
- Under-explored potential for markets and partnerships for forestry due to:
- Availability of "free" timber from indigenous woodlands: until very recently, estates were able to access wood from indigenous woodlands (both on their own land and in neighbouring customary land) easily and cheaply.
- Poor returns on investment for forestry: prices of wood and timber are artificially low as a result of the availability of cheap wood from indigenous woodlands as well as from government plantations. As a result, returns to investment for forestry are not attractive.
- Lack of experience and support for forestry enterprise: because there has been very little forestry carried out by the Estate sector there is little experience in the country and a lack of institutional support in the form of advice, inputs and financial services.

- Poor relationships between estate managers and communities living in adjacent customary land, characterised by conflict over access to resources (particularly land, fuelwood and timber).

Strategy to increase wood production in the estate sector

Increase production of wood on estates through development of management systems based on standards and arrangements for consulting, contracting and production by neighbouring growers.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Phase out government subsidy of timber from government plantations and move towards a market-related price for wood	Very High	Immediate	FD
Encourage the management of existing woodlands on estates (can be more cost effective than plantation, does not compete with seasonal agriculture labour demand, and can produce more goods and services than plantations) – including enforcement of existing regulations and agreements to protect woodland areas	High	Immediate	FD TAMA
Increase effective local control on harvesting timber from indigenous woodlands in customary land with back-up and support from the Forestry Department	High	Short-Term	DFOs
Raise awareness within the estate sector about the benefits of protecting and managing woodlands, through information and publicity campaigns on radio, television, in farming publications.	High	Short-Term	ARET NGOs FD
Continue to improve efficiency of wood consumption of furnaces used in flue cured tobacco production, and of barns used in burley tobacco production (e.g., "living barns" using termite resistant Gmelina)	High	Short-Term	ARET
Establish a pool of forestry contractors/consultants to: supervise and teach estate staff to raise seedlings; establish and manage plantations; develop contract tree growing on portions of estate land by neighbouring farmers who face land and income shortages.	Medium	Medium-Term	PS FD
Establish private tree seedling nurseries as separate enterprises located on the estates themselves, or on neighbouring estates, in customary land or in nearby towns	Medium	Medium-Term	PS
Develop better understanding, improved genetic material and promotion of efficient silvicultural options on estates such as trees planted in strips on boundaries and between fields.	High	Medium-Term	FRIM ARET

4.12 Develop forest sector financing

Paying for good forest management is a major challenge and any solution requires an exploration of options for improving government, private sector, donor, NGO and community-level financial flows and mechanisms. In Malawi, as in other countries faced with shrinking central government budgets, improving financing requires particular attention to raising the efficiency of existing financial flows, as well as searching for new investment in forestry by sector-based public sector and non-governmental actors. Potential approaches to achieving these dual goals are discussed below.

The government, mainly through the FD, has traditionally been the principle body responsible for investment in the forest resource for the provision of raw material for industry and communities. While the FD has always generated revenue from a range of sources, most notably from the sale of forest produce, until recently this revenue has been returned to the government. FD activities have thus been financed through Ministry of Finance (MOF) recurrent and development budget allocations, including a significant contribution by donors.

Pressures to cut budgets have led to significant reductions in MOF funding to the forestry sector, particularly since 1992. While reduced government funding has been a predominant feature of forestry financing in Malawi, recent reforms illustrate clear efforts to counteract the decline in finance by increasing private sector, community and NGO participation in forest management. In addition, the government in November 1999 approved the operationalisation of a Forest Management and Development Fund (FMDf), which aims to ease funding constraints for specific activities (e.g., fire prevention) and community forestry development by permitting the FD to retain 80 per cent of the revenue it generates. In addition, the FMDf should provide incentives to the FD to raise efficiency and revenue collection. Some of the more innovative measures aimed at increasing non-governmental finance include the promotion of trusts, decentralisation of forest management in village areas to Village Natural Resource Committees, and the development of proposals for a watershed protection levy.

While reforms to government finance aim to promote increased private involvement, the private sector has not yet emerged as a major source of finance. Although there is evidence that private entities, both large and small, would be willing to invest more in forestry, they appear to be constrained by a lack of affordable, long-term finance. Moreover, private interest appears to focus on investment in forest utilisation, rather than longer-term forest management or plantation establishment. A variety of factors contribute to their reluctance to take on longer-term investments, including:

- the government's virtual monopoly of raw material supplies from plantations, which:
- holds down prices for logs undermining incentives to invest in plantation establishment, and
- reduces the security of raw material supplies;
- the lack of training on technical issues, financing, business management, marketing, etc.;
- the lack of infrastructure development in rural areas;
- a taxation system which favours large corporations;
- an investment promotion agency (MIPA) which favours large corporations; and
- excessive red tape.

Donors are being squeezed by their governments, which is having knock on effects for Malawi. As their budgets shrink they, like the government, are trying to improve their performance. Initiatives include increasing their co-ordination with other donors, and decentralising finance towards lower levels of government, NGOs and CBOs.

Since NGOs depend on donor finance, their financial position reflects changes in donor strategies. As noted above although donor funds are falling in total, they are reallocating more of their budgets towards NGOs. Those NGOs which display adequate capacity to manage more funds are playing a growing role in financing forestry projects in the field.

There are some encouraging signs for generating improved financing mechanisms for the forest sector: growing interest in the private sector to participate in the financing of industrial forest plantations; a range of examples of incipient local-level financing structures with much potential; and an increasing willingness in the donor community to move from the traditional project approach towards more streamlined and sector-wide programmatic structures for the delivery of aid.

Issues

- Inadequate public sector funding in those areas for which public institutions need to maintain primary responsibility (e.g., normative and regulatory functions, research, training and extension);
- Inefficient public finance due to insufficient budgetary prioritisation, lack of organisational capacity, insufficient inter-agency co-operation, inadequate employee incentives and excessively top-down decision-making;
- Poor participation of the private sector in sectoral investment due to various policy and institutional constraints;

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- Increasing responsibility being given to local CBOs and NGOs dependent in the short and medium term on external resources;
- Unbalanced distribution of external funding depending more on donor than national priorities

Strategy to develop forest sector financing

Increase government revenue and private, donor and civil society investment in forestry and develop a stronger match between financial resources and the priorities for improving forestry and livelihoods.

Priority actions

Action	Importance (Very High, High, Medium)	Urgency (Immediate, Short-Term, Medium-Term)	Lead Actor
Improve forest-product pricing through the introduction of a market-based charging system (e.g. auctions) or through an administered stumpage value-based revenue system.	Very high	Immediate	FD
Review financing mechanisms for the Forestry Department, including extending the Forest Development and Management Fund to permit greater self-sufficiency and incentives for improved efficiency	Very high	Immediate	FD
Support trust fund with a clear goal and multiple funders (e.g., MEET and/or new forestry trust fund) to increase efficiency and volume of donor finance	Very high	Immediate	MF FD
Plan and phase in a performance-related system for allocating funds within the Forestry Department to raise efficiency of government financing	Very high	Immediate	FD
Promote training: for financiers about investment opportunities and potential returns in forestry, and for foresters in business management	High	Immediate	MIPA, DEMATT, MEDI
Reduce red tape and continue improvement of procedures for private enterprise development	High	Short-term	MF MIPA
Promote donor coordination and financial efficiency through strengthened NFP process and development of a sector-wide approach to financing	High	Immediate	FD, MF DCG
Create and disseminate database on donor flows, policies, procedures, trends etc.	High	Immediate	FD MF
Introduce forest product grading and certification	High	Immediate	MIPA PS, FD
Support commercialisation of non-timber benefits (watershed protection, biodiversity, carbon, landscape values) to increase investment in forestry by beneficiaries, e.g. ESCOM, Water Boards, TAMA, tourist companies and global communities	Medium	Medium-term	FD MF PS



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5. NEXT STEPS

Like the people and trees it aims to support, the NFP needs to grow and develop. This document makes a start, and the mechanisms designed for collaboration, communication and co-ordination – the NFP Co-ordination Unit, Working Groups, Steering Group and NFP Forum – will need to be well-maintained and further developed to make progress on the actions identified. There are two needs highlighted in this section: monitoring and adapting the NFP, and steps to be taken now:

5.1 Monitoring and adapting the NFP

Adapting and continuously improving the NFP on the basis of lessons learned from monitoring and evaluation experience is of fundamental importance. As the cycle of the Malawi NFP implies (see section 2) – this allows progress to be notched up as each round of the cycle allows us to see how much wiser we have become and how much improvement we have made since last time we adapted the programme! Good monitoring and adaptation of the NFP will require the following tasks to be undertaken:

- Develop a NFP monitoring system, based on both qualitative and quantitative indicators, as a core job of the NFP Co-ordination Unit, together with institutions involved in planning and implementing NFP actions.
- Install systems of participatory monitoring and evaluation in all NFP initiatives to link field and policy-level actions.
- Maintain the linkage between Malawi's NFP and globally respected centres of international learning on policy and institutions that work. Such linkages will enable development of standards, quality control, due diligence systems, approaches for participatory monitoring and evaluation, and a general sounding board for Malawi in the international context.
- Generate lessons learned from Malawi's NFP. This is an important service the NFP Co-ordination Unit should perform. Such reflection and recording of experience can achieve the vital role of improving institutional memory in Malawi's forest sector. Lessons can also be used in other countries grappling with comparable issues and opportunities. Similarly, learning from other contexts can be factored in to the Malawi NFP if the process remains actively receptive to such lessons.

5.2 Steps to be taken now

The preceding sections of this document spell out the priority actions that need to be undertaken for improved forestry and livelihoods in Malawi. Here we are concerned with how to make a start. The key next steps for all role-players are first highlighted, followed by those for each of the main groups of role players identified in the NFP:

All role-players

- Spread the level of agreement reached so far on the roles that need to be played by different groups for better forestry and livelihoods, and begin improving the necessary capabilities and partnerships amongst those who can lead the way.
- Generate statements of commitment and pledges to implement strategies identified by the NFP process, and develop practical means to implement the activities – starting with the activities of highest priority identified in this document

Central government (political decision makers)

- Generate firm political decisions on the ownership and management of plantations and on the responsibilities of different forestry players under decentralisation policy. This provides the basis for these decisions.
- Establish the mechanisms for regular consultation between NFP co-ordinators and parliamentary and cabinet decision-makers.

Forest department (including NFP Co-ordination Unit)

- Develop and implement a communication strategy for the NFP – through well-targeted information materials and continued activation of the NFP consultative mechanisms and the media.
- Establish dialogue on the NFP amongst and between the full range of stakeholder groups, with a particular emphasis on spreading agreement on the roles that need to be played and on the lead actors who can start to play them.
- Ensure the NFP Co-ordination Unit is well-supported, as part of strengthening the central planning role of the FD, and that capabilities continue to be built to generate action through the NFP Working Groups, Steering Group and Forum.
- Plan and implement better departmental systems for: human resource development, information, finance, and planning and process management in support of on-the-ground action.

Local government (including DFOs)

- Debate the local government roles and actions spelled out in this document, incorporate the results in the practical plans made for district development, begin implementing them, and provide feedback on this to the NFP Co-ordination Unit.
- Generate the alliances and proposals for the support necessary for effective decentralised systems of human resource development, participation, information, finance, and planning.

Private sector

- Engage with the FD and other role-players to identify and overcome the policy, procedural, and finance blockages and the security constraints to investment in sustainable forestry enterprise.
- Strengthen mechanisms that promote new investment, forest production and trade, and develop the information, personnel, finance and enterprise management systems needed to play the new private sector roles spelled out in this NFP document.

Civil society

- Identify the community-based institutions that have capability and motivation to improve the contribution that sustainable use of forest goods and services can make to livelihoods, and harness the NFP to support the work of these institutions.
- Debate the civil society actions spelled out in this document and prepare organisational approaches and proposals which adopt and improve NFP strategies, and which provide feedback to the NFP Co-ordination Unit.

International community (including donor agencies)

- Enter into dialogue with other role-players for supporting the main priority actions identified in the NFP.
- Work with the other role-players to establish milestones on the way to sector-wide support for the NFP, including support for trust funds to increase efficiency, sustainability and volume of finance for forestry and livelihoods.

The goal of improved forestry and livelihoods will not be reached easily. But all journeys start with the first few steps – and the above steps can be taken today and tomorrow morning to keep the NFP moving forward. Get involved with the NFP – use it, improve it and make it work!