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## Plantation Forestry in Malawi: Challenges and Policy Options

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### Key Messages

- Malawi has over 98,000 hectares of plantation forestry, of which 46 percent is under concessionary agreements.
- The main challenges affecting the sustainable management of plantation forestry under government include lack of adequate human and financial resources to develop the plantations, corruption, forest fires and limited research and development.
- Among the small-scale and large-scale concessionaires, challenges relate to unregulated markets for plantation forestry products, unfavourable taxation policies, delays in the approval of forest management plans, poor relationship with communities, and insufficient forest infrastructure.
- Providing adequate financial and human resource support, enacting appropriate policy and regulatory frameworks for private sector participation, and increasing investment in research and development are key to the sustainable development of plantation forestry in Malawi.
- Further, there is a need for local communities' engagement through participatory approaches in plantation forestry management.

### Introduction

Plantation forestry contributes to Malawi's economic growth through revenue generation, job creation, forex earnings from exports of timber products, and the development of value-added wood products for use by the local industry<sup>1</sup>. According to the Department of Forest (DoF), Malawi has over 98,000 hectares of plantation forestry. The largest plantation forestry is Vipha plantation estimated at 53,000 hectares.

The DoF issues concessionary agreements to both local and international companies to manage state-

owned plantation forests in Malawi. Currently, 46 percent of the plantation forestry area is under concessions, with the remaining area under government management.

The DoF manages the concession areas and ensures that concessionaires adhere to the set agreements that promote sustainable plantation forestry.<sup>2</sup> However, the sector faces numerous challenges that have impacted the operations of both the DoF and the concessionaires themselves.

This policy brief summarises findings from a study that sought to understand some of the challenges facing plantation forestry in Malawi<sup>3</sup>.

The study data came from 24 key informants, including staff from the DoF, plantation managers, and small-scale and large-scale concessionaires. The primary data was complemented by secondary data sourced from the DoF and published reports.

### **Challenges facing Plantation Forestry in Malawi**

The challenges facing the sector include a lack of adequate resources to develop the plantations, forest fires, unregulated or informal markets for forest plantation products, corruption, unfavourable taxation policies, delays in the approval of forest management plans, limited research and development, poor relationship with communities surrounding forest plantations, and insufficient forest infrastructure.

#### **1. Lack of adequate resources to develop the plantations**

The Department of Forestry faces constraints in terms of limited human resources, including forest guards. Furthermore, there is a deficiency in necessary financial resources and appropriate equipment, such as firefighting equipment, guns and ammunition, as well as a lack of technological capacities. Furthermore, there is an inconsistency in the budget allocation, resulting in a mismatch between the planned annual budgets and the approved budgets for government-managed forest plantations. For instance, between 2019 and 2024, Viphya Plantation received half of its requested planned budgets<sup>4</sup>. These financial and human resource limitations hamper the sustenance of

operations to develop and sustain forest plantations in Malawi.

#### **2. Forest fires**

Increased forest fires are another significant challenge affecting the development and investments in plantation forestry in Malawi. Forest fires in Malawi's forest plantations are caused by arsonists, carelessness (e.g., accidental human activities or negligence), mice diggers, land encroachers, hunters, honey collectors, and open burning as a planting land preparation method. Between 2018 and 2022, Malawi lost more than 11,000 ha of plantation forest to fires<sup>5</sup> (Government of Malawi, 2022). These fires alter the forest landscapes, presenting a significant threat to biodiversity and the potential for forest recovery. Moreover, it contributes to forest degradation and deforestation, human injuries and deaths, and has significant economic implications for the country and the livelihoods that depend on forest ecosystems.

#### **3. Unregulated or informal markets for forest plantation products**

Forest products from illegal sources and unlicensed concessionaires negatively impact forest management. For instance, timber from unsustainable and unregulated sources is supplied at domestic markets and, in some cases, at international markets at lower prices at the expense of certified legal companies (industrial timber companies) that pay taxes such as excise tax,

concession fees, and input taxes. Further, no mechanisms are designed to suppress illegal logging and illicit timber trade. Forest policy and laws must support structured markets for products legally harvested from plantations and should curb unregulated or informal markets.

#### **4. Delays in the approval of forest management plans**

Small-scale concessionaires lamented that delays in approving the forest management plans by the DoF affected the implementation of their plans. For instance, some concessionaires who signed their forest management agreements in 2020 had not yet received approvals by 2023. This violates Clause 3 of the concession agreement indicating that the management plans are to be approved within six months from the date of agreement signing. The management plan is key in granting small-scale concessionaires access to the land and possessing the authority to arrange safety and security measures after the commencement date. Some concessionaires cannot implement some of the promised initiatives they indicated in their plans, such as promoting the Taungya system<sup>a</sup>, due to delays in the approval of their management plans. As a result, they are spending much money on patrols as trees are being lost to theft by the surrounding communities.

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<sup>a</sup> *The taungya system is a form of agroforestry system that embraces multiple land-use practices that intercropping of crops*

#### **5. Lack of quality seeds**

Lack of quality seed (especially pine) coupled with limited investment in breeding is another significant constraint to developing plantation forestry in the country. Quality seeds are critical in sustaining and achieving high-yielding and economical forest plantations. The seeds for the current standing trees were imported from Zimbabwe by Total Land Care (TLC). Local efforts have yet to be made in tree breeding programs. Almost all concessionaires, including the government, buy quality seeds and seedlings from TLC. Forest Research Institute of Malawi (FRIM), a centre mandated to conduct forestry research in Malawi, has no pine seed stands or seed orchards in Viphya Plantations.

#### **6. Poor relationship with communities surrounding forest plantations**

Poor relationships between communities around forest plantations and owners of concession areas are accelerating cases of thefts of plantation products. Whenever a community member is caught stealing plantation products, the community mobilizes for revenge by fighting back or uprooting seedlings from the plantations. Further, some forest fires are perpetuated by the surrounding communities who feel they are not benefitting from the forest plantations. Additionally, there is encroachment of forest plantation land by communities who claim the land is customary and

*with trees on the same unit of land during the initial stage of forest plantation establishment*

thus they have a right to its access.

## **7. Lack of proper forest infrastructure**

The concessionaires interviewed indicated that the plantation forestry sector lacks proper infrastructure such as good road networks, bridges, and electric power supply. The absence and lack of good road infrastructure is an obstacle to forest operations, including fire management, logging operations, transportation of forest products, and law enforcement activities. Limited infrastructure also promotes illegal activities, increases forest operational costs, and reduces the competitiveness of plantation forestry. Therefore, constructing and maintaining forest roads are essential for sustainable management, protection, and utilization of forest plantation resources.

## **8. Corruption**

The study has established that corruption resulting in the soaring illegal logging, lack of transparency and accountability in the monitoring and awarding of forest concession agreements, and unsustainable harvest are other bottlenecks affecting the development, growth, and sustainable management of forest plantations in Malawi. Some concessionaires alleged that some large companies have additional concession areas not included in their management agreement (their concession area is more than what they were allocated). They claim that they got the additional concession area through dubious ways. However, expert and stakeholder consultation had it that it is hard to fight

corruption in Malawi because some political/economic elites are part of the corruption complex network. If the problem is not addressed, corruption may accelerate forest degradation and deforestation, thereby threatening the livelihoods of the communities that depend on the forests and depriving the government revenues.

## **9. Unfavourable taxation policies**

The fiscal policy instruments (e.g., taxes) undermine the sustainability of forest plantations or disincentivize private-sector investments in forest management. In Malawi, the 16.5 percent value-added tax (VAT) is charged on most forestry machinery, equipment and tools, including fire trucks, tree-growing inputs, and personal protective equipment. This adds to the cost of producing forest products. Further, unlike the illegal charcoal, legal and sustainable charcoal is charged VAT thereby making it 16.5 percent more expensive. Overall, there is an absence of tax rebates for the environmental services provided by forest plantations.

### **Key policy considerations to addressing the challenges**

1. Provide adequate financial and human resource support to forest plantations through adequate budgetary allocations for effective and sustained forest plantation management. Among others, the resources should also be used to improve welfare of workers and provide adequate equipment. There is also a need to improve road

networks and connectivity to the national electricity grid.

2. Improve investment in research and development in plantation forestry to address emerging issues, including climate change, and pests and diseases. FRIM needs to breed seeds, and especially for Pinus and Eucalyptus species, and establish new seed stands for various species. The DoF needs to revamp FRIM by increasing funding and deploying skilled personnel to the research center.
3. Develop a national integrated forest fire management strategy to address threat of forest fires to forest plantations that causes economic and environmental losses. The strategy will address forest fire issues through appropriate monitoring, reporting systems, prediction or early detection (early warning), awareness education, preparedness, prevention, suppression and restoration.
4. Strengthen collaborations between the government, concessionaires and communities to improve the relationships between concessionaires and communities and to ensure that communities living in or around forest plantations benefit from the forest plantations. Local community engagement can be achieved through participatory approaches such as decentralized forest management and community-based forest management (CBFM).
5. Develop an integrated revenue collection system and information management repository system

to reduce loopholes for corruption and ensure availability of accurate data to the public, respectively.

6. Create a conducive policy and regulatory environment to increase private-sector investments in plantation forestry through fiscal instruments such as VAT exemptions and tax breaks that incentivise private-sector for sustainable plantation forest management. There is also a need to formalise the timber markets so that only licensed traders undertake the trade to ensure they only obtain legal and legit timber products, with fines/penalties for non-compliance.

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