

Forests Policy Brief

Forests and woodlands are key elements in the livelihoods of hundreds of thousands of households across Tanzania and cover an estimated 38.5 million hectares (ha). They provide a wide range of benefits both directly in the form of timber, forage, fruits, charcoal, traditional medicines, and gums and resins, and indirectly through their *ecosystem functions* including regulating water-catchment, erosion control, nutrient cycling, maintaining local climates, and in supporting a rich biodiversity. Despite their importance, about two-thirds of the forests and woodlands are currently unreserved and lack any effective management, with many areas expected to be severely denuded or totally cleared by 2020.

This policy brief aims to inform DPG members of the Group's current understanding of the fundamental issues related to sustaining forestry-based livelihoods and their contribution to poverty reduction. The Brief will not attempt to provide a detailed set of proposals to address these issues but will highlight some key problem issues, outline the DPG-E's agreed strategic approach and identify some of key specific interventions designed to meet the various challenges to sustainable forestry in Tanzania.

Legal & Policy Context

The key instruments available for forest management are the Land Act (1999), the Village Land Act (1999) and the Forest Act (2002), which is supported by the National Forest Programme (NFP, 2001-2010). The NFP is designed to promote utilization and trade in forest products '*by managing forests sustainably without compromising environmental and cultural values*'.

The primary strategy for realising this objective is to clarify land tenure, to provide a transparent legal framework and to promote Participatory Forest Management (PFM), where appropriate. A number of specific tools are available to effect this strategy including establishing a reliable database of forest stocks and resource use, including estimates of the values of amenity environmental services; promoting private sector and community participation; facilitating the emergence of a self-financing forestry sector; and decentralizing the delivery of public services.

However, only a small fraction of the forests of Tanzania is currently subject to any of the strategies or tools outlined in the new Forest Act and NFP. In an effort to facilitate the implementation of the Act and the NFP and to promote PFM, a new executive agency, the Tanzanian Forest Service (TFS), has been established by the Government of Tanzania.

The Value of Forests in Tanzania

- Tanzania's forests provide employment opportunities to between 1 million and 10 million people;
- Forest products contribute approx. \$14million (10-15%) of the country's recorded export earnings;
- Forests, through fuel wood and charcoal, provide 95% of Tanzania's energy supply;
- Approximately 75% of construction materials come directly from forests.
- Forests provide essential indigenous medicinal and supplementary products to 70% of Tanzanians.

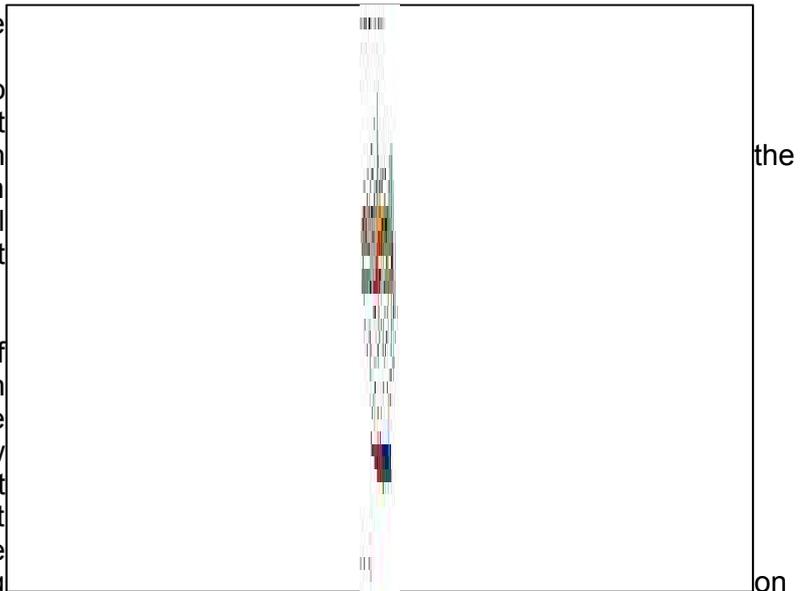
Issue: Lack of Forest Management Capacity

One of the major problems faced by the sector is that its true value

to Tanzania's development remains largely unrecognized. Recent estimates, that also include the illegal use of forest products, as well tourism-related income, suggests that the forest sector's total annual contribution may be as high as 10%-15% of total GDP, roughly equivalent to the Government's annual public spending.. Although the generation of revenues from forest-related activities is improving, it is estimated that only 5-10% of the potential revenue is actually collected. Despite the known, and the potential importance of forestry to the livelihoods of the people of Tanzania, the Forest and Beekeeping Division (FBD) is only allocated 0.1-0.2% of the total annual government budget. One effect of this limited budgetary support is apparent in the map below, which shows the geographical distribution of the FBD's human resources across the country.

It is clear that there are large areas with little or no coverage. Those organisations that do attempt to implement management in accordance with Forest Act and the NFP are often only able to do so with financial support from Development Partners.

Largely because of the lack of financial, and therefore human resources, within the FBD there have been relatively few assessments of the true extent and characteristics of the forest resources in Tanzania, with the existing work largely concentrating



on catchment forests. There are few up-to-date statistics on the forestry sector's performance and there is no sector-wide Monitoring & Evaluation (M&E) system. At the regional and district governance level, secretariats and councils tend to allocate negligible resources to forestry in their development plans. This is partly explained by the decentralization of decision-making without adequate financial support or the means by which to generate sufficient revenues locally to actually implement management activities.

Technical capacity at all levels is also generally inadequate, particularly in land-use planning, forest management systems, business and financial management, participatory development, resource inventories and valuation, M&E, and data-management. The lack of capacity in administration and finance is evident from the delay in procurements, ironically resulting in significant under-spending especially in relation to the both Development Partner-funded activities, and in relation to the Government's own budget. There is no sector-wide mid/long-term human resource capacity development plan that involves all stakeholders and current investments in capacity-building tend to be short-term and isolated.

An example of this lack of technical capacity is that although royalties from timber sales account for 83% of all forestry revenue collected, they are often fixed arbitrarily and with an

inadequate understanding of market values due to the lack of staff competencies in valuation. For example, the official valuation of timber in the *LogScam* for example was 55 USD/m³, but this represented

only a small fraction of the true market value, which can be as high as 6000 USD/m³, or more, for certain species such as African Blackwood and Ebony. It is estimated that because of erroneous market valuations the Government is currently losing revenues on sales and export royalties to the value of approximately US\$23.8 million per annum.

Furthermore, because FBD's current capacity is so inadequate it is often unable to provide even routine management services, such as the issuing of licenses or permits. The establishment of TFS and the necessary restructuring of the FBD will further delay improvements in basic management performance. At the moment, perhaps too much attention is being directed to the appointment of the key management staff and construction of new physical infrastructure, at the cost of not dealing adequately with the existing management challenges. Evidence from similar institutional and organisational adjustments elsewhere suggests that effective changes in service delivery will only come on-stream at least 2-3 years *after* the restructuring has been initiated.

LogScam

In July 2004, the Minister for Natural Resources & Tourism visited Dar es Salaam port to review aspects of the performance of the newly implemented Forest Act. During this visit 187 shipping-containers were discovered holding logs that had either not been legally acquired or were not licensed for export. Further inspections were ordered in coastal districts that revealed 6,898 m³ of illegal logs valued at Tsh382.65 million. The revelation of this illegal trade in timber, the *LogScam*, made headlines in the national media.

Issue: Management Strategies

There are four types of forests recognised in the 2002 Forest Act: National forests, Local Authority forests, Village forests and Private forests. Within this categorisation forests may be either forest reserves/national park forests or non-reserved forest land; about 60% of the total forest area is currently non-reserved. Although the majority of these forests are under central or local government control, there are opportunities for private sector and community-based management. The area of forest plantations in Tanzania is estimated to be between 160,000ha and 200,000ha, comprising 83,000ha state-managed plantations, 6,000-7,000ha private industrial plantations, and an estimated 80,000 to 100,000ha of village and farm plantations. These plantations have the potential to create additional employment and incomes to the rural poor, as well as to generate revenues to contribute to the needs of both district and national-level government. They are especially important in the more remote areas where they are often located. .

Participatory Forest Management: Participatory Forest Management is a key strategy to realise sustainable and equitable forestry in Tanzania. PFM offers important potential to improve management performance in all forest types, and to realise improved livelihood benefits at a local scale. A recent pilot study has demonstrated that annual village income under this type of management increased by up to US\$653; such an amount can be quite significant in a rural context. However, the introduction of PFM is currently hampered by the cost and time taken to transfer management rights to non-government stakeholders and currently only 1% of the total forest reserve area is under this form of management. For example, it is estimated that a single PFM event may take up to 4-years to realise, and cost between \$50,000-\$100,000 to implement, depending on the size and the location of the forest. Clearly more work is needed to improve the economic efficiency of the PFM process and to streamline the actual implementation process.

Private Sector Involvement: There is considerable interest by large-scale private companies to invest in plantation development in Tanzania. However, despite the provisions in the Forest Act and Regulations, no concessions for the state-owned plantations have been granted to private investors. And any potential that the private sector does have to realise management dividends is currently constrained by excessive bureaucracy, corruption, and inadequate support services. In any case, the royalties and other fees set by the Government tend to lead to only low rates of return on forestry investments and therefore do not encourage investments in production or processing technologies, or in innovation. This is exacerbated by the high commercial interest rates, lack of special credit facilities and the present licensing policy, whereby licences are issued for one-year only.

It is also apparent that the private forestry sector is fragmented, and poorly organized and this hinders stakeholder dialogue on policy to the extent that the private sector was largely ignored in formulating the current Forest Policy, Forest Act and Forest regulations. There is also a lack of consensus within the industry regarding a potential Code of Conduct and a quality assurance system.

In March, 2005 the Environment and Development Ministers of the G8 countries, the European Commissioners responsible for the environment and development, the EU Presidency, the United Nations, World Bank and IUCN passed the following resolution concerning the global eradication of illegal logging:

'Eradicating illegal logging is an important step towards realizing the sustainable management of forests and sustainable development. We recognize the impacts that illegal logging, associated trade, and corruption have on environmental degradation, biodiversity loss, and deforestation and, hence, climatic systems. Moreover, illegal logging damages livelihoods in the poorest countries, causes losses of revenues to Governments, distorts markets and trade, and sustains conflicts. We agree to increase our support to producer countries in their efforts to eradicate illegal logging and associated trade by: combating corruption through enhanced transparency and access to information, particularly on the allocation of forest harvesting rights and revenues; strengthening capacity to enforce forest, wildlife, and other relevant laws; engaging civil society and local communities in these actions ...'

Communication Strategy: An important component of any management strategy is the effective communication to stakeholders of policies, legal rights and responsibilities and economic incentives. But many stakeholders in district government, village councils, NGOs/CBO, and the private sector do not have access to the provisions of the Forest Act and are therefore not adequately aware of the opportunities it presents. The President's Office - Regional Administration and Local Government (PO-RALG) therefore has a potentially useful role to link the FBD and Districts and to communicate the contents and opportunities of the Forest Act, the National Forest Programme and Participatory Forest Management, but again there is confusion as to its precise role and responsibilities and in any event it has limited capacity and resources to carry out this task.

Addressing the Issues - Work in Progress

Following the full implementation of the Forest Act in July 2004, the effective execution of the NFP is now crucial. The DPG and the Government are in the process of initiating a Sector-Wide Approach (SWAp) to implement the NFP. While this SWAp is being developed a number of other initiatives are underway:

- A permanent independent monitoring system, to create more transparency as a basis for improved management;
- *Ad hoc* forest inventories are in process, with a national strategy in preparation;
- A monitoring and evaluation system is under development;
- Plans are being laid to create regional resource surveillance teams;
- A case study of the *LogScam* fiasco, identifying underlying causes, is being prepared;
- A private sector forum has been proposed.

Addressing the Issues - Future Solutions

The development of a SWAp for NFP, including the work in progress is expected to:

- Speed up the establishment of PFM, so that it becomes a practical and attractive option for local communities to engage in sustainable forest management;
- Create an enabling environment for civil society and private sector participation;
- Complete the assessment of available forest resources, and generate an effective monitoring and evaluation system;
- Include a review the pricing of forest products and services, as well as the level of royalties that are collected, in order that these better reflect true market values as well as national priorities associated with poverty reduction and economic development;
- Lead to a better understanding of the Forest Act and NFP and its requirements, amongst stakeholders including civil servants;
- Build capacities in a number of aspects of forestry management, including law enforcement.

It is also worth clarifying the roles of the three key non-governmental stakeholder groups:

Private Sector: A responsible private sector can be a key player in future management solutions. As part of their potential role, the private sector must recognise their responsibilities as well as their rights and must support the Government in their efforts to address illegal activities in the sector.

Civil Society: It is essential that Civil Society is encouraged to actively participate in forest management to assist in programme implementation, particularly in relation to PFM.

Development Partners: Must commit to long-term involvement and support to the NFP and to actively participate in constructive dialogue with other stakeholders. In particular Development Partners must support priority MKUKUTA interventions relating to forestry; their contributions can best be harmonized through a SWAp.

- DPG should raise awareness both within the Group, and amongst civil servants and politicians, regarding the actual and potential contribution of forestry to the livelihoods of the people of Tanzania. The basic message is that continued and increasing support to the forestry sector can have positive impacts on livelihoods, and on the national economy in the form of taxation revenues and foreign-exchange from the export of forest products. DPG communications should explicitly highlight the linkages between the forestry sector and the goals and targets of MKUKUTA. It should be argued that positive developments can only be achieved by ensuring the full implementation of the Forestry Act and the well-formulated NFP;
- DPG should actively seek to establish direct linkages between activities in the forestry sector and those underway in governance reform, especially those related to anti-corruption. Specific support regarding good governance in forestry as part of the SWAp could be considered;
- A zero-tolerance approach should be employed against illegal or unsustainable practices related to the harvesting, trade, or export and import of forest products. The appropriate sanctions should be imposed on individuals or companies that have violated any rules and regulations - the DPG should give high priority to this in discussions with the Government;
- DPG's work on civil service reform should link to the current human resource challenges in FBD and other parts of government implementing NFP. DPG has a role to play in relation to the challenges around the restructuring FBD and establishment of TFS, with its repercussions for improved service delivery and a better ability within the sector to realize its full economic potential.

The Development Partner Group

The Development Partners Group (DPG) recognises the crucial importance of collective and increasingly coordinated/harmonised efforts of the DPG should result in significantly improved effectiveness and quality of development assistance to Tanzania while reducing transaction costs for development partners and Government.

Membership of the DPG is open to any bilateral or multilateral partner that provides development assistance to the United Republic of Tanzania. The rationale for a DPG that does not include Government membership is to complement Government's own coordination efforts by promoting internal coherence amongst the development partners in the context of TAS and the Rome Declaration.

Membership currently comprises Belgium (BTC), Canada (CIDA), Denmark, European Delegation, Finland, France, Germany (GTZ, Embassy and KfW), Ireland (DCI), Italy, Japan (Embassy and JICA), Netherlands, Norway, Spain, Sweden (SIDA), Switzerland (SDC), UK (DFID), US (USAID), UNDP, UNICEF, ILO, UNFPA, UNIDO, UNAIDS, UNCDF, WFP, UNHCR, FAO, UNESCO, WHO, UN-Habitat, IMF, World Bank.

The DPG maintains a website at www.tzdac.or.tz where further information is available.