Financing Sustainable Forest Management in Tanzania

Full Country Case Study Report

Forest ecosystems in Tanzania vary from mountain to riverine forests along the eastern arc mountain range, to miombo and acacia woodlands found across the country, to mangroves on the coast. Forests are important to Tanzanian economy and society due to the diverse goods and services they provide, including wood, water, fodder, medicine, fuel, food, shelter, employment, recreation, various habitats for wildlife, and carbon reservoirs.

For the past decade or so the forestry sector in Tanzania has undergone several positive reforms, based upon national forest policy and recent global initiatives that lay out a new vision for the sector. The most awaited reform has been the creation of a Tanzania Forest Service (TFS), a new Executive Agency that enjoys the privilege of being semi-autonomous, and takes over executive powers from its predecessor, the Forestry and Beekeeping Division. Another significant change in forest financing has been the establishment of the Tanzania Forest Fund (TFF) under the Forest Act.

Although its establishment brings many opportunities, the TFS suffers from a shortfall in the adequate staffing necessary to carry out forest management and protection, leading to sub-optimal decision-making in the sector. Moreover, there is a lack of shared planning on forest finance projects among relevant institutions and sectors, which leads to duplication of efforts and administrative inefficiency. As a result, forest degradation is increasing, greatly due to unchecked illegal activities. A major source of potential revenue comes from royalties on charcoal and state owned forest plantations, but revenue collection is low and not sustainable. Levels of charcoal exploitation are alarming, with the negative impact of environmental destruction seemingly unconsidered. A significant challenge remains people’s dependence on biomass energy. Forecasts project that wood fuel will continue to be the major source of energy for a majority of Tanzanian people.

Financing of the forestry sector in Tanzania occurs mainly through government budgetary allocations and any retained income from forest revenues. The contribution of private sector financing is not well established, but there is increasing private sector investment in forests, particularly in favour of plantations rather than natural forests. Public financing of the forest sector is dependent on foreign sources as over half of all funding continues to be sourced through ODA. This trend is partly attributable to inefficient revenue collection, as only a fraction of potential revenue is being collected. Also no legislation exists compelling forest water consumers to pay the TFS for forest management required to generate watershed services. This financing structure is not sustainable and requires increased national self-financing, achieved both through establishment of the above-mentioned TFF, and through the Eastern Arc Mountains Conservation Endowment Fund (EAMCEF), a joint initiative of the Government of Tanzania, the World Bank and the Global Environment Facility (GEF).

Although the above challenges continue, success stories do exist. One of them is the Logging and Miscellaneous Deposit Account (LMDA), which allows state owned forest plantations to charge and retain fees from logging activities, road maintenance and silvicultural activities, and use these monies to cover forest plantation budgets. Another success story is the presence of the tree grower association, an initiative that has shown positive indications by making important market intelligence available to small-scale tree farmers.
But to increase the number of success stories, several recommendations are made to improve financing of SFM in Tanzania. First, revenue generation could be improved by pricing forest products and services based on market values, rather than letting prices be set administratively. Secondly, stakeholder involvement could be increased via speeding up land use planning and acquisition processes, as to better encourage private investment in forestry. One suggested way to do this is to develop forest land banks in collaboration with financial institutions. Thirdly, laws should clearly define user rights on forest land, as to provide security on long-term investments. Institutional structures need to build trust among stakeholders, and the government should delegate more responsibilities of forest management to local government. Global forest-related initiatives to encourage financing for SFM, such as the ongoing REDD+ mechanism, should be further promoted. Finally, increased cooperation and revenue sharing arrangements should be encouraged between public institutions, including forests and other relevant sectors.