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Financing for Sustainable Forest Management in Tanzania

Country Case Study

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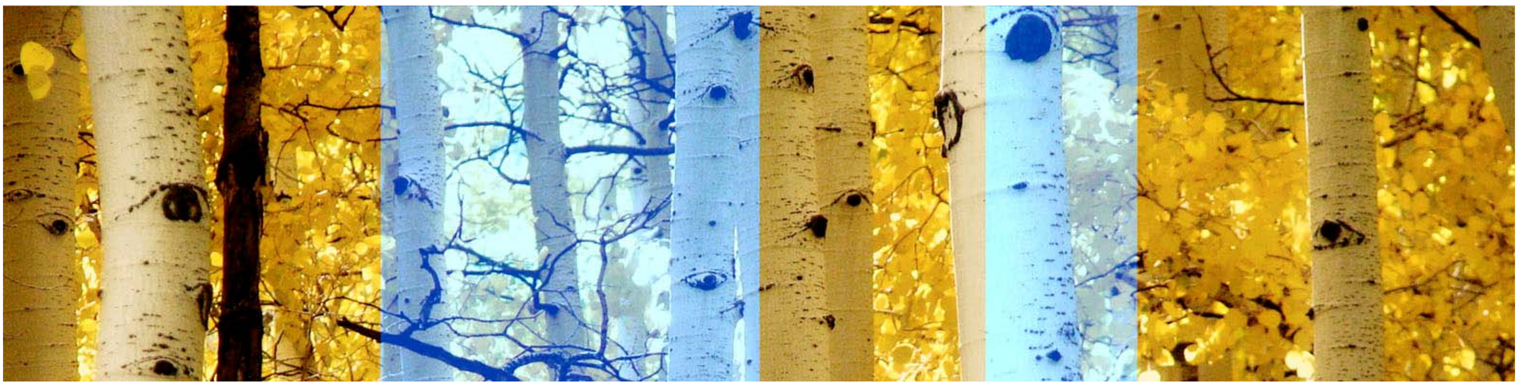
Tanzania



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ABBREVIATIONS

AFLEG	Africa-Forest Law Enforcement and Governance
CBD	Convention on Biological Diversity
CBO	Community-Based Organization
CDM	Clean Development Mechanism
DP	Development Partner
CFR	Community Forest Reserve
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DED	District Executive Director
DFO	District Forest Officer
EAMCEF	Eastern Arc Mountains Conservation Endowment Fund
EIA	Environmental Impact Assessment
EMA	Environmental Management Act
EPU	Extension and Publicity Unit
ERV	Exchequer Receipt Voucher
FAO	Food and Agriculture Organization of the United Nations
FBD	Forestry and Beekeeping Division
FCPF	Forest Carbon Partnership Fund
FDI	Foreign Direct Investment
FLEG	Forest Law Enforcement and Governance
FSUs	Forest Surveillance Units
FYDP	Tanzania Five Year Development Plan for 2011/12 – 2015/16
FY	Financial Year
GBS	General Budget Support
GDP	Gross domestic product
GEF	Global Environment Facility
GoT	Government of Tanzania
IUCN	International Union for Conservation of Nature
LGA	Local government authority
LG	Local governments
LMDA	Logging and Miscellaneous Deposit Account
JFA	Joint Financing Arrangement
JAS	Joint Assistance strategy
MDAs	Ministries, departments and agencies
MDGs	Millennium Development Goals
MNRT	Ministry of Natural Resources and Tourism
Mha	Million hectares
MTEF	Medium Term Expenditure Framework
MTSP	Medium Term Strategic Plan
MoF	Ministry of Finance
NAFORMA	National Forestry Resources Monitoring and Assessment
NFBKP	National Forestry and Beekeeping Programme
NFP	National Forestry Programme
NFR	National Forest Reserve
NGO	Non-governmental organization
NORAD	Norwegian Agency for Development Cooperation
NSGRP	National Strategy for Growth and Reduction in Poverty
PER	Public Expenditure Review
PES	Payment for Environmental Services
PFM	Participatory Forest Management
PMO	Prime Minister's Office
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
RALG	Regional Administration and Local Government

RAS	Regional Administrative Secretary
REDD	Reducing Emissions from Deforestation and Forest Degradation
RNRO	Regional Natural Resources Officer
SEZ	Special Economic Zone
SFM	Sustainable Forest Management
SWAp	Sector-Wide Approach
TASAF	Tanzania Social Action Fund
TFCMP	Tanzania Forest Conservation Management Project
TaTEDO	Tanzania Traditional Energy Development Organization
TFF	Tanzania Forest Fund
TFS	Tanzania Forest Service
TIC	Tanzania Investment Center
TTSA	Tanzania Tree Seed Agency
UNCCD	United Nations Convention to Combat Desertification
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nation Forum on Forests
URT	United Republic of Tanzania
USD	United States Dollar
VLFR	Village land forest reserve
VPO	Vice President's Office
WB	World Bank
WMA	Wildlife Management Area
WWF	World Wildlife Fund

EXECUTIVE SUMMARY

Introduction

Over the past decade, the forestry sector in Tanzania has undergone positive reforms, resulting in a new vision for the sector. The reforms have been based on the Tanzania National Forest Policy (1998) and global initiatives. In addition, sustainable forest management is emphasized in the National Forest Policy (1998), the National Forest Programme (2001 – 2010), the Forest Act of Tanzania (2002) and accompanying legislation.

Sources of forest finance

Financing of the forestry sector in Tanzania occurs mainly through i) Government budgetary allocations, ii) retained income from forest revenues, iii) grants and loans from development partners, and iv) private financing. The logging, road and silviculture fees for state-owned forest plantations are retained at the source; forest managers of state-owned forest plantations use this money to meet the costs of planting and management, and it is thus an important source for forest financing. The reforms have brought in new private-sector stakeholders; consequently, the private sector is now significantly involved in forest development.

Sector reforms facilitating revenue generation

The formation of the Tanzania Forest Service (TFS) was the most anticipated reform. TFS is an Executive Agency that is a semi-autonomous body, and it took over the overall executive power from its predecessor, the Forestry and Beekeeping Division. Another significant change towards facilitating forest financing was the establishment of the Tanzania Forest Fund (TFF) under the Forest Act. **Both TFS and TFF aim to establish a sound domestic financing base**. While **TFS has the advantage of collecting and retaining forest revenues** and establishing new income sources, TFF has virtually relieved TFS of the task of facilitating and providing financial support to other forest-related sectors and institutions.

These changes have significantly improved the financial sustainability of the sector. What remains to be done is the optimization of these institutions and the review of the corresponding legal framework. **Although the development partners' support continues to be needed, the capacity of the forest sector to finance itself should increase.**

Key challenges

Financial sustainability is currently at risk because of the limited capacity and resources of TFS for moving closer to the forest resources for strengthened forest protection, and also because of hindrances to the continuing exercise of its powers with minimum political interference. As a result, forest degradation is increasing due to an increase in illegal activities. Demand for financial support has been directed to specific areas of forest management, such as Participatory Forest Management, which addresses livelihood objectives, while less attention has been accorded to forest law enforcement and improvement of the revenue collection system.

Wood fuel is a major contributor to forest revenue. Prices for energy alternatives are un-affordable for the majority of the population, making forests the only accessible energy source and leading to overdependence on biomass energy and the degradation of resource and revenue bases. Furthermore, forest investments are more focused on exploitation with negative impacts to forest conservation. **Land tenure issues remain a problem for investors who want to establish large forest plantations.**

Recommendations

Considering the above, the following strategies are recommended to mobilize forest financing in Tanzania:

1) Improve revenue generation from forestry by:

- Establishing practical models for determination of royalty rates such that prices for forest products and services will constantly be reviewed to reflect market prices;
- Introducing a computer network payment system to track revenues;
- Identifying and promoting new sources of revenue to effectively exploit the available potential;
- Strengthening law enforcement in collaboration with other stakeholders and monitoring to curb illegal harvesting and trade; and
- Regulating the utilization and trade of forest products to conform to forest management plans.

2) Increase stakeholder participation in forest development, as it is important to promote sustainable forest management by placing large areas of natural forests on general lands under proper management.

3) Improve institutional and legal frameworks with clear mechanisms for benefit sharing among stakeholders. It is important that laws be reviewed to include benefit sharing as an incentive and to encourage more participation for sustainable forest management. Moreover, laws should clearly define user rights on forest land to provide security for long-term investments in forest.

4) Make use of global forest-related initiatives such as REDD+ to encourage financing for SFM. Tanzania should continue to participate in regional, international and global discussions and forums on the environment and forests; and benefit from global financing to address environmental and climate-related challenges.

5) Acknowledge and then address cross-sectoral issues in collaboration with stakeholders, including ministries, departments and agencies (MDAs); and subsequently review existing and develop new memoranda of understanding on sustainable forest management incorporating binding agreements.

1. OVERVIEW AND KEY FACTS

1.1 Introduction

Forest ecosystems in Tanzania range from montane and riverine forests situated mainly along the Eastern Arc mountain range, to miombo and acacia woodlands spread over the entire country, and to mangroves on the marine coast. The woodlands are varied in terms of species composition, and they contain valuable tree species such as *Brachystegia, Afzellia* and *Dalbergia*. The diversity also applies to the montane forests, which harbour a variety of wildlife.

Forests are vital in Tanzania due to the numerous goods and services they offer to both the national economy and society. These include wood, water, food, fodder, medicine, fuel, shelter, employment, recreation, wildlife habitats, diverse landscapes and carbon reservoirs. Forests are an important economic base for development in terms of providing revenue from various tangible products and services, such as timber and non-timber products, export earnings and tourism.

In Tanzania, forests and woodlands are managed for the sustained supply of fine hardwoods to meet the domestic demand for wood-based products. Woodlands form a large portion of the production forest category and cover vast tracts of land, where there are also game-controlled areas and game reserves. Woodlands are also primary sources of wood fuel (charcoal and fuel wood). There are mangrove forests which are highly productive ecosystems; these forests provide a range of valuable forest products, contribute to the productivity of the coastal waters and prevent coastal erosion. Catchment forests regulate water supply, consolidate animal habitat and conserve the soils. Catchment forests are rich in species endemism and therefore provide a rich source of genes for scientific studies.

In spite of their importance, forests face major threats of degradation for several reasons. Commercial harvesting proceeds without proper control, resulting in continuing deterioration of the resource base with negative consequences to forest production. Population growth also has direct effects on forests. Forests and woodlands are converted to other land uses to meet basic needs such as clearing of forest lands for agricultural expansion. Overgrazing and wildfires are additional key factors in the fast disappearance of woodlands.

In terms of its linkage and contribution to other land-based sectors, such as the agriculture sector, the forest stabilizes stream flows and plays an important role in the supply of irrigation water. Biological product demands have increased the need for forests and the conservation of biological diversity. Degradation of forests yields negative impacts on services and products related to forests.

According to the National Forest Programme (2001), public financing of the forestry sector in Tanzania mainly comes from three sources, namely (i) government budget through the Treasury, (ii) retained income from forest revenues under its jurisdiction (of the revenue collected), and (iii) grants and loans from development partners (DPs), agencies and financial institutions. However, the proportion of external support has been limited to only a small proportion of forestry sector initiatives and projects. According to the FY 2011/2012 Ministry of National Resources and Tourism (MNRT) budget, the donor contribution is approximately 62 per cent of the financing for forestry sector projects and programmes, and the remaining 38 per cent of the financing is government contribution. By 2008, only 5-10 per cent of potential royalties and other fees had been collected by the Government. According to FY 2011/2012 revenue records, the total collection has increased to approximately USD39.8 million, which is still below 50 per cent of the potential revenue. This demonstrates that the public financing of the forest sector is much dependent on foreign sources, as over half of the funding continues to be sourced through official development assistance (ODA). This trend is partly attributable

to inefficient revenue collection, as only a fraction of potential revenue is being collected. This financing structure is not sustainable, requiring increased national self-financing. The focus now is to redress the skewed financing structure by improving the internal sources of funding through improvement in revenue collection. Up to now, much of the potential revenue remains uncollected and/or lost due to limited capacity and illegal practices. Furthermore, the amount of the contribution of private sector financing has not yet been established, but there is increasing private sector investment in the forest sector.

This case study is one of four country cases of the United Nations Forum on Forests (UNFF) Forest Financing Study that aim to map the sources, trends, emerging modalities and enabling environment of forest financing in i) African countries and ii) least developed countries (LDCs). The UNFF Forest Financing Study also consists of two macro-level papers prepared for both country groups. The case studies aim to present forest resources and policy framework characteristics, inter-linkages between the forestry sector and other sectors, the forest financing landscape, and key challenges and opportunities for financing SFM in the respective countries. They focus on issues specific to the respective country as well as issues common to the country group, and thus are connected and consistent with the macro-level papers. The case studies are stand-alone papers but also augment and inform the macro-level papers.

1.2 Basic facts

Tanzania has a total area of about 94.5 million hectares (mha), of which 88.6 mha is land mass, and 5.9 mha is inland water. The arable land comprises only 11.3 per cent of the total land area (World Bank, 2010), while the other land uses are 88.7 per cent. About 38 per cent (33.5 mha) of the country is forested (FAO, 2011). Reserved forests comprise about 14.3 mha, and unreserved forests cover approximately 19 mha. There are about 150,000 hectares (ha) of forest plantations, of which 83,000 ha are under the Government. In addition, there are 115,000 ha of mangrove forest, 233,837 ha of nature reserves, and 2 mha of national parks. The area under plantations does not include woodlots, which are, however, estimated to be 120,000 ha. **Error! Reference source not found.** shows the area breakdown of the legal forest types in Tanzania.

Table 1.1 Forest area by type, use and legal status

Description of Category	Area (thousand ha)
Forest type	
Forests (of low and high lands)	1 141
Mangrove	115
Woodland	32 299
Total	**33 555**
Use of forest land	
Production forest area	23 810
Protection forest area	9 745
Total	**33 555**
Legal status	
Forest reserves	14 278
Forest/ woodlands within national parks	2 000
Non-reserved forest land	17 277
Total	**33 555**

Source: MNRT (1998), FAO (2011)[1]

[1]State of World's Forests data on forest area exceed by some 5.26 million hectares and consequently the forest area is 44 per cent, contrary to 38 per cent reported by MNRT. The data will be harmonized with the results of NAFORMA, 2012.

According to the census of 2002, the population size is estimated to be 44.8 million, and the population growth is around 3 per cent per annum (URT, 2010). The population density is 37 per sq km (or 97 per sq mile) (World Bank, 2012). The urbanization rate is high; the World Bank has estimated the urban population to be around 32 per cent (in contrast with the official figure of 11.5 per cent).

The gross domestic product (GDP) is estimated to have increased at a yearly growth rate of 6.9 percent in the reported period 2005 – 2011. The year 2010 GDP for mining was 3.3; for electricity and gas it was 1.8. Table 1.2 shows GDP trends.

Table 1.2 Key economic indicators

	2005	2006	2007	2008	2009	2010	2011
	USD						
GDP (mill.)	13 698.1	14 220.6	18 504.2	19 334.9	21 482.4	22 217.1	23 957.3
GDP per capita	378.4	379.2	483.2	489.8	528.0	530.1	555.0
GDP growth, %[1)]	7.4	6.7	7.1	7.4	6.0	7.0	6.4
GDP growth per capita, %[1)]	14.3	12.4	16.8	18.3	13.8.	14.5	16.2
Inflation, %[1)]	4.3	7.3	7	10.3	12.3	5.5	12.7
Balance of Payment (mill.)	-867.6	-1143.2	-1580.1	- 2595.4	-1 727.6	-1 863.8	-3 967.4

Source: Tanzania Bureau of Statistics, 2012

The economic sectors include agriculture, forests and hunting (24.6 per cent of GDP); the service sector (including trade, transport, communication, hotel and restaurants) (43.6 per cent of GDP); and the manufacturing sector (22.0 per cent of GDP) (URT, 2012).

1.3 Forests and trees in the national economy

The estimated contribution of forestry (combined with hunting) to the GDP in 2011 was 3.5 per cent (URT, 2012), and it has remained at same level for the past ten years. The figure does not explain the true value of the forest contribution due to the lack of valuation of the contribution of the forestry sector to the national economy, because the current value is combined with the contribution of the wildlife sector. This is partly because the values of woodfuels (charcoal and fuelwood), bee products, catchment and other environmental services are not considered in the assessment.

Table 1.3 GDP values for forest and hunting

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value (%)	3.3	3	2.7	3.6	4.6	2.9	3.4	3.5	4.1	3.5

Wood industry accounts for about half of the sector's recorded contribution to GDP. The other half is contributed by non-wood forest products and services. According to MNRT (2005), there are 363 registered forest industries in Tanzania. These include sawmills and other mills producing plywood, fibre-board, treated poles, matches, chipboard, flooring strips, clarinet sets, pulp and paper, tannin and essential oils.

The trend of energy consumption in Tanzania is dominated by biomass energy, which accounts for 90 per cent of consumption, while petrol and electricity account for 8 per cent and 1.2 per cent respectively. Other energy sources such as coal, solar and wind account for less than 1 per cent. Charcoal is the single largest source of household energy in urban areas, as it is considered cheap and easy to transport, distribute and store (Africa Forest Forum, 2011). Forests offer many benefits to people living close to forested areas and even beyond. For example, charcoal is one of the largest industries in Tanzania, employing tens of thousands of rural people and supplying energy to millions of urban households (World Bank, 2009). The formal forest sector employs about 3 per cent of paid labourers, however, the percentage would be larger if employment in the informal forest-related sector is taken into account. The majority of the rural communities depend heavily on forest products for their livelihoods (MNRT, 1998).

The forest sector contribution to Tanzanian total export trade in 1987 was 3 – 4 per cent of total exports (MNRT, 1998), which jumped to about 11 percent after the adoption of trade liberalization in the 1990s. Forests are a source of revenue through the sale of wood and non-wood forest products and services. The largest exported wood product is sawn timber and poles. Reports (Africa Forest Forum, 2011) indicate that wood exports have increased for some products; for example, sawn timber exports to other Africa countries and other continents (Asia and Europe) have increased from 511 m^3 in 2001 to 310,600 m^3 in 2007. Pole exports have increased from 905 poles in 2004 to 31,200 poles in 2008. On the other hand, sawn timber import is reported to be on the increase, especially from Mozambique and Malawi. However, data to substantiate this is not available.

Tanzania's forests contain 2,019 million metric tons of carbon in living forest biomass (FAO, 2011), which offer potential in the forest carbon markets. Also, the country has substantial potential in beekeeping, with an estimated potential production of about 138,000 tons of honey and 9,200 tons of beeswax per annum. Nevertheless, only 4,860 tons of honey and 324 tons of beeswax are produced annually, or roughly merely 3.5 percent of the potential harvest.

2. NATIONAL POLICIES AND INTER-SECTORAL LINKAGES

2.1 Macro-level policies

Tanzania's Development Vision 2025 embodies a long-term development vision and plan that by 2025, Tanzania will have created a strong, diversified, resilient and competitive economy that can effectively cope with the challenges of development and that can also easily and confidently adapt to changing market and technological conditions in the regional and global economy. There are five main targets to be attained: high quality livelihood; peace, stability and unity; good governance; a well-educated and learned society; and a competitive economy capable of producing sustainable growth and shared benefits. The Development Vision addresses forests under natural resources (which include forest, fisheries and wildlife), but it recognizes the forest sector contribution to the overall national development and poverty alleviation as guided by the main strategies. The strategies include:

- Decentralization of management of natural resources;
- Privatization of management functions;
- Creation of an enabling environment for participation of relevant stakeholders;
- Inclusion of gender aspects, especially the involvement of women in decision-making and implementation of programmes; and
- Integrated resources planning.

The Tanzania Five-Year Development Plan - 2011-2016 (TFYDP) implements the Tanzania Development Vision 2025. The Plan designates high importance to forests, noting “Forests and woodlands are among the most important natural resources the country is endowed with”. The TFYPD links forests with other sectors, in particular, beekeeping and tourism through the wildlife sector. In the document, forests are considered to be under the agriculture sector, comprised also of crops, fisheries, bee-keeping and livestock. The Plan identifies various challenges in the context of natural resources, including inadequate human and financial resources for managing and developing natural resources. The goal, strategic interventions and targets for forest sector are shown in Table 2.1. Related financing needed to achieve the goal is estimated at USD44.7 million, of which the Government’s contribution is to be USD1.0 million and the development partners’ contribution USD8.2 million; the balance will be covered by other stakeholders, notably the private sector.

Table 2.1 Forest sector goal, strategic interventions and target in the FYDP 2011 – 2016

Goal	Strategic Intervention	Key Output/Target for 2015
Modernization, commercialization, and productivity enhancement	• Increase of production and productivity of agro-forestry (including soft and hard timber, medicinal plants) • Sustainable management of forest resources • Development of forest resources database • Sustainable management of forest and bee resources • Sustainable management of coastal forest resources • REDD initiatives and development	• Growth of hunting and forestry sector increased from 1.6% in 2009 to 5.9% by 2015 • Increased number of villages (from 2 328 to 2 500) and villagers participating in forest management and forum of collaboration • 50 % of the forest industries using appropriate technologies • 5% reduced degradation and loss of forest biodiversity • Area of forest resources and biodiversity under effective management increased by 10% • Comprehensive REDD baseline information and future projection available, regularly updated and applied in forest management • Timely provision of forest resource assessment reports, including forest stocks and maps • Diversified and improved quality and quantity of bee products by 10%

Source: TFYDP, 2011

According to the FYDP, forestry is not one of the core priority areas. The core priority areas are infrastructure; agriculture; industry; human resource development; and tourism, trade and financial services.

The National Strategy for Growth and Reduction of Poverty (NSGRP), also known as MKUKUTA, is the government strategy document for the reduction of poverty. The Strategy recognizes the importance of forest resources in the reduction of poverty and contains environmental and climate change-related aspects. The forestry sector has an important role to play in environmental conservation, agricultural production and supply of water in addition to the direct benefits it provides related to employment opportunities and contribution to the national economy. In the implementation of the FYDP, the forest sector (among others) is required to adhere to the Poverty Reduction Strategy Paper (PRSP). PRSP is the national policy which recognizes the dependence of poor communities upon the natural resources base (in particular, upon forest products such as charcoal, honey, wild fruits and firewood, both for income generation and for household consumption).

Joint Assistance Strategy (JAS)

In the Joint Assistance Strategy (JAS) document, the Government indicates its commitment to sustainable development and poverty reduction, placing emphasis on the participatory process involving domestic and international stakeholders. The strategy has a range of long- and medium-term goals and strategies that articulate Tanzania’s vision and agenda for national development and poverty reduction and for whose implementation the Government is accountable to its citizens (JAS, 2006). Roles and responsibilities of various stakeholders have been explained, among which DPs are expected to support the achievement of results

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from the NSGRP and development of capacities by providing financial and technical assistance to the Government and non-state actors.

The strategy mentions the need for transparency among the DPs in the provision of their development assistance, by making increasing use of government systems in terms of financing, procurement, accounting, auditing, monitoring and evaluation, as well as by engaging in open dialogue with the Government and other domestic stakeholders. This bolsters MDAs who are working with DPs in implementing some of the development cooperation. Further, the strategy states the need for harmonization of DP support to eliminate parallel Project Implementation Units and integrate project management in the structures and systems of the implementing government agency. In the forest sector, development of a sector-wide approach (SWAP) process was an attempt towards a joint financing arrangement.

General budget support

The Government receives external resources under three modalities, namely general budget support (GBS), basket funds, and direct project funds. GBS is the Government's preferred aid modality because of being associated with greater ownership, harmonization, alignment, management for results, and mutual and domestic accountability. Several benefits of GBS are mentioned, including the ability to increase the proportion of external resources subjected to the national budget process, thereby also increasing national ownership of the development process by emphasizing the national budget as the framework for identifying priorities and programming resource use. This allows for a more equitable distribution of development funds within and across MDAs, regions and local government authorities (LGAs), as all funding allocations are planned and decided in a single process – the national budget. Also, through GBS there is harmonization and alignment of DP support and adoption of a common Performance Assessment Framework (PAF). A key tool in this collaboration is a joint monitoring framework, agreed upon between the Government and DPs.

2.2 Regional commitments

Tanzania is a member of the East African Community (EAC) and party to the Convention for the Protection, Management and Development of the Marine and Coastal Environment of the Eastern African Region and Related Protocols.

The Partner States of EAC have agreed to take concerted measures to foster cooperation in the joint and efficient management and sustainable utilization of natural resources, including forests. They have also agreed to cooperate and coordinate their policies and actions for the protection and conservation of the natural resources, including forests and the environment, against all forms of degradation and pollution arising from developmental activities.

The obligations under the Marine and Coastal Environment of the Eastern African Region and Related Protocols Convention include the Contracting Parties, individually or jointly, taking all appropriate measures to prevent, reduce and combat pollution of the Convention area and to ensure sound environmental management of natural resources, including forests.

Tanzania is also a member state of the Southern African Development Community (SADC) and signatory of the SADC Protocol on Forestry. The Protocol focuses on i) promotion of development, conservation, sustainable management and utilization of all types of forests and trees; ii) trade in forest products throughout the region in order to alleviate poverty; iii) generation of economic opportunities for the peoples of the region; iv) achievement of effective protection of the environment; and v) safeguarding of the interests of both the present and future generations.

In implementing these protocols, the forest sector must work in collaboration with a diversity of stakeholders, including those related to revenues, immigration, international trade, investments, research and law enforcement.

2.3 Global commitments

The Government is party to a number of international obligations relating to environmental management. These include the Convention on Biological Diversity (CBD), United Nations Convention on Combating Desertification (UNCCD), United Nations Framework Convention on Climate Change (UNFCCC), Convention on International Trade in Endangered Species of Fauna and Flora (CITES), Ramsar Convention, and Millennium Development Goals (MDGs).

Tanzania has thus far developed a Climate Change Strategy and Action Plan with the objective of enabling it to mitigate and adapt to climate change impacts as part of the global efforts to achieve sustainable development. Addressing climate change in Tanzania requires enormous investments. Climate change financing is anticipated to be drawn from both domestic and foreign sources. Among the forest strategies used in addressing climate change are the following:

- Enhancing control of forest fire, disease and pest breakout;
- Enhancing conservation of forests biodiversity and control of invasive species;
- Supporting alternative livelihood initiatives for forest dependent communities;
- Promoting the establishment of woodlots;
- Establishing a comprehensive monitoring system for forest resources and ecosystem conditions;
- Strengthening and increasing of community-based forest management best practices;
- Promoting the use of alternative construction materials; and
- Promoting energy efficient technologies.

Reduced Emissions from Deforestation and Forest Degradation, conservation of carbon stocks, sustainable management of forests and enhancement of forest carbon stocks in developing countries (REDD+) are also being considered as climate change mitigation measures. Tanzania is actively engaged in Reducing Emissions from Deforestation and Forest Degradation (REDD). “REDD+” goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. A number of donors are supporting Tanzania on REDD+ arrangements. In addition, there is a United Nations-REDD project lead by UNDP, involving also FAO and UNEP. Denmark is one of the main donors behind United Nations REDD. Norway supports Tanzania with USD100 million directed mostly to NGO-led projects and universities, while REDD coordination is funded through the Institute of Resource Assessment at the University of Dar es Salaam. The experiences from Participatory Forest Management (PFM) are considered as a model under REDD+ in Tanzania; thus the Danida contribution to PFM and in particular to the accompanying research are important for the REDD+ processes.

The Clean Development Mechanism (CDM) provides incentives for afforestation and reforestation activities in developing countries. However, due to limitations in capital, technology and institutional capacity in Tanzania, this opportunity has, to a large extent, not been fully tapped.

The Tanzania climate change strategy also investigates possibilities of creating a National Climate Fund. This will enable the country to access global climate change finance, following the successful implementation of similar funds in countries such as Brazil, China, and Indonesia. Moreover, reducing carbon emissions in government construction projects and other public investments and simultaneously marketing these carbon credits will provide

additional sources of funding. The introduction of an indirect “carbon tax” based on the carbon content of oil, coal and natural gas could provide more finances for development expenditure.

Tanzania has managed to link aspects of the Convention on Biological Diversity with its National Forest Policy and programme. The Tanzanian Government has recognized the importance of biodiversity conservation: it has both facilitated the development of a project specifically focused on developing a conservation strategy, Conservation and Management of the Eastern Arc Mountain Forests, for the Eastern Arc Mountains and assisted in the creation of a conservation trust fund to provide long-term finance to conservation efforts with the Eastern Arc Mountains Conservation Endowment Fund. Moreover, implementation of the Policy and programme include the upgrading of selected forest reserves to become nature reserves and intensive management of watersheds and coastal forests. Investments by the Critical Ecosystem Partnership Fund (CEPF), CMEAMF and the TFCG – PEMA programme have been providing significant contributions in the management and conservation of biodiversity in the Eastern Arc Mountains. In the context of biodiversity and protected areas, Tanzania has 1,898 known species of amphibians, birds, mammals and reptiles according to figures from the World Conservation Monitoring Centre. Of these, 9 per cent are endemic and exist in no other country, and 6.1 per cent are threatened. Tanzania is home to at least 10,008 species of vascular plants, of which 11.2 per cent are endemic.

In order to sustain the management of critical forest biodiversity hotspots, there are ongoing efforts to implement Payment for Environmental Services (PES). Financial mechanisms that capture this environmental interdependency clearly have great potential to both support conservation and provide poor rural communities with new sources of livelihood.

The objective of UNCCD is to combat desertification and mitigate the effects of drought in countries experiencing serious drought and/or desertification, particularly in Africa. Tanzania is aggressively engaged in afforestation and reforestation schemes, soil conservation and restoration of degraded areas. To sustain these efforts, PFM is being promoted to ensure that many stakeholders are involved.

All these initiative activities are part and parcel of the forest sector’s efforts to address the MDGs to be achieved by 2015.

2.4 Sector-level policies

2.4.1 National Forest Policy

The National Forest Policy was approved in 1998, and the overall objective of the policy is “to enhance the contribution of the forestry sector to sustainable development of Tanzania and the conservation and management of the natural resources for the benefit of present and future generations”.

The specific goals of the policy are as follows:

1. Ensure a sustainable supply of forest products and services by maintaining sufficient forest area under effective management;
2. Increase employment and foreign exchange earnings through sustainable forestry- based industrial development and trade;
3. Ensure ecosystem stability through conservation of biodiversity, water catchments and soil fertility; and
4. Enhance national capacity to manage and develop the forestry sector in collaboration with other stakeholders.

The policy provides the basis for involvement of other sectors in forestry development and management. The policy advances a number of statements that describe forest sector plans with other sectors to enhance sustainable forest management, hence promoting the contribution of the forest sector to the national economy.

National Forest and Beekeeping Programme

Following the approval of the National Forest Policy in 1998, it was necessary to develop a strategic sector planning tool to guide its implementation. The first National Forest Programme (NFP) (2001 –2010) was approved in 2001. The goal of the Programme was to promote the conservation and sustainable use of forest and bee resources to meet local, national and global needs. Initially, NFP had four development programmes, but following a review in 2006, Beekeeping Development Programmes were streamlined. This resulted in the National Forest and Bee Keeping Programme (NFBKP), an umbrella for the following five development programmes:

(i) Forest resources conservation and management;
(ii) Institutions and human resources;
(iii) Legal and regulatory framework;
(iv) Forestry-based industries and sustainable livelihoods; and
(v) Beekeeping development.

To facilitate the implementation of these five development programmes, sub-development programmes were developed for each. Amongst these is the sub-development programme on PFM and Public Private Partnerships (PPP), which together are designed to scale-up implementation of the first programme (Forest resources conservation and management).

Smooth implementation of NFBKP also requires inputs and facilitation from other stakeholders. There are national strategies which have been developed to assist MDAs in implementing their policies. These strategies include Development Vision 2025, NSGRP and JAS. NFP has received more attention from the development partners and is more of a window for addressing donor contribution in support for sustainable forest management than a sector planning and implementation tool.

2.4.2 Other sectors' policies

The forest sector policy has linkages to other sectors and strategies. Agriculture, mining and wildlife sectors compete with the forest sector for land, while forests have supportive roles in providing watershed services and generating water for agricultural activities. Also, forests provide habitat for wildlife. The energy, tourism, water and environment sectors are highly dependent on the forest sector for their success. Table 2.2 summarizes the linkages between the aforementioned sectors and the forest sector.

Table 2.2 National sector policies and their relevance to forestry

Policy	Relevance to forest
Environment Policy, 1997	Environmental consideration is given to all land and natural resource development activities. The main objective for the forest sector is to support development of sustainable regimes for soil conservation and forest protection, taking into account the close links between desertification, deforestation, freshwater availability, climate change and biodiversity.
Agriculture and Livestock Policy, 1997	Catchment forestry management contributes to agricultural production systems for the majority of smallholder farmers. Overgrazing is among the top factors of deforestation and forest degradation. The livestock policy is not explicit on policy strategies to facilitate sustainable forest management in the context of livestock keeping
Lands Policy, 1995	Access and ownership rights are given to all communities and individuals under the Land and Village Land Act (1999). The Policy also enables communities to reserve part of their land as village land forest reserves, thereby enhancing PFM.
Water Policy, 2006	Water contributes to irrigated agricultural production, hydropower generation and water supply for domestic uses. Forests protect important catchment areas. The policy recognizes the importance of forests in water conservation.
Wildlife Policy, 2007	Forest ecosystems provide habitat for wildlife. Although the policy does not mention the importance of forest conservation, it emphasizes conservation of biodiversity areas as representative of major habitats, and extensions of Protected Area networks. Encroachment, wildfires, illegal logging and poaching in reserved forests have contributed to deterioration of wildlife in the forests. Wildlife management is not incorporated in forest management plans, and this is coupled with un-coordinated field activities between government institutions involved in wildlife and forest management. Moreover, some forest reserves overlap with game reserves or game controlled areas, causing conflicts in management responsibilities.
Beekeeping Policy, 1998	The policy promotes beekeeping arrangements in forest areas through joint forest management agreements. Bees contribute to improvement of quality and quantity of crops and alleviating rural poverty through pollination. Pollination also contributes to biodiversity conservation.
Tourism Policy, 1991	The policy is biased towards promotion of wildlife tourism. There is high potential for forest-based tourism, but the policy is silent on this matter.
Energy Policy, 2003	Forest and other biomass contribute over 90% of the total energy used in the country. The policy promotes efficient biomass conversion and end-use technologies in order to save resources, reduce rate of deforestation and land degradation, and minimize threats on climate change.
Minerals Policy, 2009	The policy is silent on forestry. However, mining prospecting licences and rights are issued anywhere, including in forest reserves. This represents a major risk for forest reserves sustainability, despite the available compensation arrangements.
Investment Policy, 1999.	The policy objective is to ensure that an environment that would attract and promote both local and foreign investment is created. The forest sector is considered among the lead sectors for investment.

While the National Forest Policy recognizes the role and importance of other sector policies and strategies, many national policies of other sectors are inexplicit on their commitment to forest protection but instead pose threats to forest sustainability. The forest sector had at one time initiated a process for coordination, starting with a sector wide approach, where DPs demonstrated shared financing of forest activities. However, it was not operationalized. Therefore, cross-sectoral coordination is not strong, and in practice is confined to participation in meetings with limited planning, follow-up, and overall effectiveness.

The inter-linkages between forest sector and other sectors are, however, facing policy challenges relating to the following:

- There is poor capacity at all levels, inhibiting interpretation and implementation of environmental issues on the development agenda, especially at local levels. This curbs cross-sectoral coordination with limited identification of common impacts, synergies and joint planning. Hence, continued education and training is required at different levels on the roles and responsibility of each stakeholder in forest policy implementation. The roles and responsibilities are clearly stated in the National Forest Policy (1998).
- Conflicting land uses lead to degradation of forest land. The challenge can significantly be addressed by speeding up the ongoing nationwide land-use planning; all demarcated forest land must have clear management arrangement with the defined manager. Land use planning is a key element in supporting forest development and provides the basis for appropriate management of different forest types and biodiversity habitats. The nationwide land use planning process considers forest management planning - a combination of gazettement of village land forest reserves (VLFRs), village land surveying, and issuance of Village Land Registration Certificates. It is needed to be replicated in all Community-based Forest Management (CBFM) initiatives to augment overall Sustainable Forest Management.
- There is overdependence on biomass energy, especially fuel wood and charcoal, which accelerates forest degradation. Exploitation of other energy resources, including natural gas and coal, will relieve pressure on forests. Conflicting interests exist in forest resources management, e.g. in watershed areas which are also rich in mineral deposits. Unless the land use plans are adhered to, these conflicts will prevail and lead to forest depletion.
- Institutional frameworks for management of forest resources are fragmented. Poorly coordinated administrative systems exist between the central government and local authorities (district and village governments). Review of the de-concentration of forest administration through the ongoing Local Government Reform Programme and improved coordination between actors may reduce the challenge.

3. LEGISLATION AND REGULATORY FRAMEWORK

3.1 Forest law

Following the adoption of the National Forest Policy (1998), the forest legislation was revised by enacting the Forest Act Cap.323 of April 2002 and Forest Regulation of 2004. The current Forest Act (2002) replaced the 1957 Forest Ordinance Cap. 389, which was not adequate in terms of implementation of the revised policy. The Forest Act of 2002 establishes the legal framework for regulating and guiding the manner in which forest resources shall be managed and utilized sustainably. Besides emphasizing the mechanisms for enhancement of the forest for social and economic development, the Act provides legal mechanisms and definitions for roles and responsibilities for the various stakeholders in forest development and management. It clarifies the mechanisms for lease and concessions for forest management and utilization of forest resources. The conditions and procedures for licensing, forest charges (including royalties), and the establishment of forest funds are also addressed by the Act. Objectives of the Forest Act are presented in Box 3.1.

Box 3.1 Objectives of the Forest Act (2002)

(i) Encourage and facilitate the active citizen involvement in the sustainable planning, management, use and conservation of forest resources through the development of individual and community rights (Part II, 3 (b));
(ii) Delegate responsibility for the management of forest resources to the lowest possible level of local management consistent with national policies (Part II, 3 (d));
(iii) Ensure the sustainable supply of forest products and services by maintaining sufficient forest area under efficient, effective and economical management (Part II 3 (e));
(iv) Enhance the quality and improve the marketability of forest products and regulate their export (Part II 3 (f));
(v) Promote coordination and cooperation between the forest sector and other agencies and bodies in the public and private sectors; (Part II 3 (g));
(vi) Facilitate greater public awareness of the cultural, economic and social benefits of conserving and increasing sustainable forest cover by developing programs in training, research and public education (Part II 3 (h));
(vii) Enable Tanzania to play a full part in contributing towards and benefiting from international efforts and measures to protect and enhance global biodiversity (Part II (i))

3.2 Other legislation relevant to forestry

The enforcement of the Forest Act is complemented by other key legal documents, including the following:

a) The Village Land Act and Land Act, both of 1999, provide for the use and occupation of land through the system of rights of occupancy, recognize customary tenure rights for village and communal land, and allow for its registration as “village land”. According to these Acts, the land in Tanzania falls under three categories:

(i) General land – administered by the Commissioner of Lands
(ii) Reserved land – administered by statutory bodies (such as FBD or TFS[2])
(iii) Village land – administered by the village government.

[2] Forestry and Beekeeping Division (FBD) under the Ministry of Natural Resources and Tourism was responsible for revenue collection from forest reserves controlled by the central government and forests in general lands. Since July 2011, the role of the FBD was taken over by the TFS Agency.

Powers of allocating land, including reserved land, falls under the Commissioner for Lands in the Ministry of Lands, Settlements and Human Development.

b) The Local Government Act (1982) provides the basis for village councils as executive agencies. The Act also mandates villages to formulate and enforce village bylaws, which are used to regulate forest use and access. According to these legislative provisions, the following forest land categories are recognized:

   (i) Village land forest reserves (VLFR) - these are declared and formally gazetted at the national level. These forests are established to enable communities to retain forests on their village lands.
   (ii) Community forest reserves (CFR) – these are created, owned and managed by the communities as shared assets. In some cases, a CFR covers several villages, where members from those communities share ownership and management.
   (iii) Private forests - these include local-level forest reserves and individual/ household forests. The Forest Act also includes small holders, whereby private forests are established and individuals have customary rights on the land.

3.3 Enforcement of forest legislation

Law enforcement is one of the major activities of the FBD/TFS. However, there are challenges associated with enforcement, including a shortage of human resources. Corruption is reported to be widespread, and illegal activities are on the increase. TFS has the responsibility to ensure that law enforcement is strengthened in order to control utilization of illegal forest resources. Law enforcement has been enhanced by stakeholders' participation. The Forest Act provides the following in terms of regulation and law enforcement:

- Provisions for communities and other stakeholders to own forest resources and participate in forest protection;
- Control of forest harvesting operations by placing a pre-requisite for districts councils to prepare management plans for forest resources in their respective districts;
- Formation of District Harvesting Committees to take charge in determining and allocating of harvesting quotas and management of sustainable forest product trade;
- Formation of Forest Surveillance Units (FSUs) in zones of forest administration as inspection teams responsible for control of illegal forest activities;
- Institution of control and checks on harvesting of forest produce (e.g. timber harvesting ban of 2004); and introduction of guidelines on sustainable forest product harvesting (FBD, 2005a);
- Review of forest regulation on the trade of forest products, prices and transactions, including review of the procedure for issuing licences for harvesting and transporting forest products; and
- Strengthening of forest product checkpoints and patrols, and education of the forest industry business community about the laws, rules and procedures for harvesting and trading in forest products.

3.4 Key drivers of illegal activities in the forests

Forest degradation and deforestation are taking place in both reserved and unreserved lands. However, unreserved forests and woodlands are particularly over-exploited compared to reserved areas. Threats currently facing forest management include illegal harvesting encroachment for agriculture, conversion of forest lands to settlements, infrastructure development, overgrazing, mining and uncontrolled fires. The NFP review of 2006 noted that illegal logging and charcoal production together constitute the most significant obstacle to

SFM. Despite the sound NFP and programme, illegal logging is rampant in almost all parts of the country.

3.5 Ongoing processes to address illegal activities

While Tanzania has yet to review and implement the Indicative List of Actions arising from the Africa - Forest Law Enforcement and Governance (AFLEG) Ministerial Conference in 2003, substantive progress has been made on a number of fronts, as summarized in Annex 1. However, the following is now required: more attention to rural awareness, increased PFM, improved government capacity, implementation of independent forest monitoring, enhanced civil society involvement, evaluation of forest management plans and strengthening of accountability mechanisms. There are ongoing processes within NGOs (IUCN, WWF (TZ) and Mpingo Conservation project) to make FLEG operational.

3.6 Public-Private Partnership Initiative

Public-Private Partnership (PPP) is a recent arrangement and government strategy to involve stakeholders in the national development agenda. As a multi-sectoral strategy, PPP is clearly stipulated in the National Forest Policy, which encourages the participation of stakeholders in forest development. The Public-Private Partnership Policy and Act was approved and enacted in 2010 to regulate PPPs in the country. The Act provides the institutional framework and sets out rules, guidelines and procedures governing public and private procurement and other related matters. PPP provides a path for the private sector to work together with the public sector in accelerating growth in areas of interest to both sectors. Its success therefore depends on the willingness of the individual investors to work with the government in a win-win environment.

4. FOREST MANAGEMENT AND INSTITUTIONS

4.1 Forest Administration

Until the approval of the National Forest Policy in 1998, the forest sector administration was the sole responsibility of the central government through the forest department, but with support from local authorities (district councils). The government reforms have opened up this role and responsibility to include village governments, individuals and the private sector. Following institutional changes within the MNRT, the operational roles and responsibilities of the FBD have been delegated to TFS. TFS is a semi-autonomous body under the MNRT responsible for the development, management and administration of public forest estates in the country. Therefore, TFS' management mandate covers central government forest reserves (National Forest Reserves - NFRs) and all the non-reserved (general land) forests and trees outside forests. Currently, public forest administration is under two ministries, namely the MNRT and the Ministry of Regional Administration and Local Government, under the Prime Ministers' office (PMO-MRALG). The local government forest reserves (Local Authority Forest Reserves - LAFRs) are under the jurisdiction of the district councils. The MNRT role is to support and coordinate other stakeholders in the development of the forest sector and provide an enabling environment for forest development. These include setting appropriate policy and regulatory frameworks, rendering training and research services, providing financial incentives and resources, and providing extension services. Forest types, ownership and management arrangements in Tanzania are summarized in Table 4.1.

Table 4.1 Forest types and management thereof

Type of forest	Managed/owned by	Type of management
Central and local government forest reserves, including village forest reserves	• Central forest authorities • Local government authorities • Communities (village councils and community groups) • Private sector	• Joint Forest Management (JFM) for central and local government forest reserves • Leaseholds
Forest plantations (industrial plantations)	• Government • Private sector • Tree growers associations	• Leaseholds • Concessions • Private
Private and community forests includes forests on leasehold and village lands, including farms, natural forest on lease-hold lands, and traditional forest areas	• Local communities (village councils and community groups) • Private sector	• Village management • Leaseholds • Private
Forests on general lands (unreserved forests and woodlands)	• Central government • Local government • Villages • Private individuals	• Village Forest Reserves • Community-based Forest Management • Leaseholds • Private

PMO-MRALG is responsible for the implementation of the Local Government Reform Programme. The PMO-MRALG Strategic Plan outlined the need for effective coordination of the critical interfaces between MDAs, DPs, the Regional Administration, LGAs, and other stakeholders, in compliance with decentralization by devolution (D by D). Following de-concentration, privatization and reform programmes, and following the devolution of responsibilities and human resources to LGAs, collaborative forest management has been carried out with the MNRT, emphasizing governance and national coordination roles.

LGAs are responsible for the implementation and co-ordination of extension services, revenue collection, law enforcement, capacity building, local priority setting, development of by-laws, monitoring of natural resources, management of local government forest reserves, creation of

new forest reserves, regulation of forest-based industries and the promotion of tree planting. LGAs, supported by NGOs, CBOs, research institutions and other service providers, provide direct PFM facilitation support to local communities. Roles of LGAs are confined to areas under their jurisdiction, but LGAs are sometimes delegated to perform activities on behalf of the TFS.

In addition to MNRT, TFS and LGAs; village governments, individuals/households and the private sector are allowed to develop forest resources. For the private sector, this includes development and management of forest land acquired through concession or lease. The potential areas for private sector investment are i) participation in harvesting, processing and marketing of forestry products, ii) provision of credit facilities, and iii) participation in research, training and transfer of technology. Other avenues could include the private sector, such as in the provision of extension services and facilitation of individuals and communities to develop and manage forests. Under the legislation, villages are authorized to set aside part of their land as VLFRs. Besides conserving the environment and meeting their forest needs, VLFRs are potential avenues for income-generating activities. Both TFS and LGAs are obliged to support villages and communities in establishing and managing VLFRs. Like TFS and LGAs forest reserves, VLFRs are managed according to approved forest management plans.

Because of the existing inadequate capacity to manage forest resources, the Forest Act provides an opportunity for TFS and LGAs to involve other stakeholders in the development and management of forests. The opportunities include forest concessions, which can also be extended to utilization. Framework, Criteria and Guidelines for Concession Arrangements in Plantation Forests were developed for implementation as of 2005 (MNRT, 2005). However, the plans did not work because certain legal procedures had been overlooked. This included the formation of a National Forest Advisory Committee (NAFAC), which was subsequently established in 2010.

4.2 The institutional set-up and instruments for SFM

As stated in the preceding sections of this report, the overall responsibility of the forest sector administration is under MNRT, which is the mandated authority for forest matters in the country. Therefore, all ongoing forest programmes, including the National Forest Programme (NFP), are supposed to be facilitated, coordinated and monitored by the MNRT or its agencies. Besides TFS, there are other institutions established for specific forestry activities. These include the Tanzania Forestry Research Institute (TAFORI) for research and development, the Tanzania Tree Seed Agency (TTSA) for provision of tree propagation materials, and institutions for forest education and training.

Under PMO-MRALG, the relevant institutions are the district councils and village governments. Besides managing their own forest estates, these two bodies are also responsible for enforcing forest legislation and for supervising and monitoring the activities of NGOs and the private sector in their area of jurisdiction.

Of all these institutions, TFS has the largest estate to manage. TFS is also mandated to delegate management responsibilities to other competent bodies, including the private sector.

5. FOREST SECTOR FINANCING

5.1 Sources of financing

The forest sector is mainly financed through the following sources:

(i) Government financing through annual budgetary allocations (including retention) from the Treasury through MNRT;
(ii) Specialized funds, including EAMCEF and TFF;
(iii) Support from bilateral DPs in terms of grants and credits for specific projects and programmes;
(iv) Loans from financial institutions such as the World Bank;
(v) Grants from international organizations such as GEF and UNDP; and
(vi) Private financing investors, communities, etc.

Government financing for the forest sector

The Government finances the forest sector in the following ways:

(a) Annual budgetary allocations to LGAs, which must be approved by the parliament;
(b) Retention. The treasury has authorized TFS to retain part of its revenue to fund its activities; in addition, all state-owned forest plantations are allowed to charge and retain logging, silvicultural and road fees from customers licenced to harvest. In this regard, TFS is expected to be 100 per cent self-financing, but any amount collected in excess of the annual budget is sent to the Treasury. However, until TFS can cover all its operational and staff costs, the Government, through MNRT, will continue to pay staff salaries.

According to government financial regulation and procedures, all MDAs are required to prepare and submit their annual financial requirements to the Treasury. These estimates are then compiled and submitted to the Parliament for approval. The budgeting is guided by a Medium Term Expenditure Framework (MTEF) budgeting process, which in turn reflects the sectors' strategic plans. For MNRT, these also include strategic plans for its agencies. Under MTEF, each ministry and department is given an annual budget ceiling which sets the maximum finances each ministry and department can receive and expend. Agencies, including TFS, are allowed to set their own limits according to expected revenues and expenditures, but have to be endorsed by the Parliament. While ministerial estimates are scrutinized by respective parliamentary permanent committees before submission to the Treasury, the TFS budget is scrutinized by its Board.

The Government has authorized TFS to retain and expend its revenues in two ways. All state-owned forest plantations are allowed to charge and retain logging, road and silvicultural fees for every cubic meter of timber harvested. The collected moneys are used to finance all plantation activities, including planting and tending activities and infrastructure maintenance, but excluding staff salaries. The amount collected varies according to the annual allowable cut.

The Government introduced a revenue retention scheme to provide incentives for central government MDAs to collect more non-tax revenues such as royalties, charges, licences and fees. Under this scheme, the MDAs, including the MNRT, retain a percentage of the collection based on targets agreed upon to stimulate collection efforts. The MNRT has been retaining on average 75 per cent of the revenues collected. The introduction of Logging and Miscellaneous Deposit Account (LMDA) charges has made some improvements in the management of state-owned forest plantations. Before the establishment of TFS, FBD was allowed to retain and use

64 per cent of all revenue from central government natural forest reserves and 100 per cent of LMDAs.

The main government source of funds is revenue collection by different state agencies, including revenue collected from forestry. These funds are allocated to various needs of MDAs and LGAs through their MTEF as both recurrent and development budgets. Therefore, until TFS was established, funding of the forest sector was also dependent on this framework. TFS funds its activities from its own collected revenue that it has been allowed to retain. TFS uses the same planning framework but with more autonomy of the budget depending on the activities to be implemented. The forest sector budget for the period 2007/2008 to 2010/2011 is shown in Table 5.1. It is clear that there is a gap between the approved budget and the amount released (on a monthly basis). This is partly due to the fact that the government operates on a cash basis. Therefore, the funds released reflect the amount of money the Treasury could afford to allocate to the sector. It is also important to note that, the budget does not include allocations to LGAs. Annex 4 presents the forest sector budget from 2001 to 2012 and the respective total MNRT budget. It is clear that most project funding is provided through foreign financing than through domestic public financing. The proportion of the forest sector budget is approximately 24 per cent out of the overall MNRT budget.

Table 5.1 Approved budget and actual expenditure for FBD for 2007/2008 – 2010/2011

FY	2007/2008	2008/2009	2009/2010	2010/2011
Approved budget, in thousands USD	4 987	6 697	7 164	6 719
Funds released, in thousands USD	5 000	4 420	5 602	4 239

Source: Forestry and Beekeeping Division reports until 2011

5.1.1 Specialized Funds

Government capacity to finance the forest sector is limited, and therefore, strategies are outlined in the National Forest Policy for developing long-term alternative finance sources. The strategies include the establishment of specialized funds. To date, there are two funds, namely the Tanzania Forest Fund (TFF) and Eastern Arc Mountains Conservation Endowment Fund (EAMCEF).

Tanzania Forest Fund (TFF)

TFF is established by the Forest Act (2002) and was made operational in 2010 as a not-for-profit organization governed by the Board of Trustees. It is a public fund established to provide a stable and long-term source of funding for sustainable conservation and management of forest resources in Tanzania. Objectives of the Tanzania Forest Fund are detailed in Box 5.1.

Box 5.1 Objectives of the TFF extracted from the Forest Act (2002), Part X, Section 80

(i) Promote awareness of the importance of the protection, development and sustainable use of forest resources through public education and training;
(ii) Promote and assist in the development of community forestry directed towards the conservation and protection of the forest resources of the country through the making of grants and providing advice and assistance to groups of persons wishing to form themselves into a group;
(iii) Promote and fund research in forestry;
(iv) Assist in enabling Tanzania to benefit from international initiatives and International funds directed towards the conservation and protection of biological diversity and the promotion of sustainable development of forest resources;
(v) Assist groups of persons and individuals to participate in any public debates and discussions on forestry and in particular to participate in processes connected with the making of an environmental impact assessment;
(vi) Assist groups of persons and individuals to ensure compliance with the Act; and
(vii) Promote such other activities of a like nature to those set out in this section as will advance the purposes of the Act.

The current sources of funds for TFF are a levy of 2 per cent of every prescribed fee payable under the Forest Act, a levy of 3 per cent of any royalty payable under the Act, and sale of any forest produce confiscated under any of the provisions of the act. Anticipated sources of funds include i) grants, donations, bequests or other such sums contributed by any private individuals, corporate bodies, foundations, or international organizations or funds within or outside the country; ii) any sums realized by any income generated by any project financed by the Fund, due allowance being made for any necessary expenses which must be met by any such project; and iii) any such funds acquired from various sources. TFF started its operation in 2010, when the prescribed charges were enforced. Thus far, the collection has grown from USD1.4 million in fiscal year 2010/2011 to USD3.4 million in 2011/2012. The Act allows TFF to carry over the unspent funds.

The Eastern Arc Mountains Conservation Endowment Fund

The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) is a trust fund established as a mechanism to provide sustainable financing for biodiversity conservation in the Eastern Arc Mountains. EAMCEF is a joint initiative of the Government of Tanzania, the World Bank and the Global Environment Facility (GEF). The Fund aims at providing long-term sustainable and reliable funding support to conservation activities related to the promotion of biological diversity and improvement of ecological functions in priority areas of the Eastern Arc Mountains. Major mountain blocks of the Eastern Arc are found in four regions of Tanzania, namely Tanga (e.g. the Usambaras), Kilimanjaro (e.g. the Pares), Morogoro (e.g. the Ulugurus) and Iringa (e.g. the Udzungwas). EAMCEF started as the biodiversity component of the Tanzania Forest Conservation Management Project (TFCMP), a five-year project (2002/03-2006/07). The major outputs of EAMCEF are given in Table 5.2. All these outputs were expected to be accomplished by the end of the project. GEF offered a grant of USD7 million as initial investment capital through International Development Association – World Bank.

Table 5.2 Key Outputs of the EAMCEF Component of TFCMP

Output 1	An Eastern Arc Forest Conservation Strategy which incorporates the views of multiple stakeholders, and which has mobilized support for the implementation of priority actions is developed,
Output 2	Community-based conservation initiatives are underway in the Uluguru Mountains.
Output 3	Institutional reforms are completed which strengthen the capacity of national forestry institutions to provide services that strengthen the processes of participatory forest biodiversity conservation in the Eastern Arc.
Output 4	The EAMCEF is operating and is investing in forest/nature reserve management, community-based forest biodiversity conservation, and applied biodiversity research.

GEF has also availed USD5 million through the United Nation Development Programme (UNDP) to be used for the Uluguru Mountains as a pilot area and to lay out a long-term strategy for Eastern Arc Conservation. The strategy is in place, and implementation is ongoing. The EAMCEF experiences would indicate the establishment of a similar strategy and implementation arrangement and funding mechanisms for coastal forests, which are among the most endangered ecosystems in Tanzania.

Support from development partners

The forestry sector has been receiving financial support from the donor community for a long time. The support is based on bilateral cooperation agreements between Tanzania and respective donor countries. In most cases, support has come in the form of cash grants, which aim to make up the budget deficit. The areas of support are also based on the National Forest Programme but reflect DPs' policies and priorities. In general, DPs have been supporting all development programmes, but with varying levels of financing.

The financing of development programmes by both the Government and DPs for the period between 2005 – 2008 in Table 5.3 shows that more of the budget was allocated to development programmes on forest resources conservation and management (USD14.6 million) (DP1) and on institutions and human resources (USD29 million) out of the total budget of USD52.4 million (government and donor combined) (DP2). The other development programmes under NFP are legal and regulatory framework (DP3); forest-based industries and sustainable livelihoods (DP4); and beekeeping development (DP5). Analysis of sub-components shows PFM under DP1 was the most heavily funded sub-programme, followed by the human resources development component. There are 71 districts getting donor support on PFM facilitation. However, local financing for the programme throughout the years is low compared to external financing, confirming the notion of donor dependence in sector financing.

Table 5.3 Budget of development programmes for fiscal years 2005/06 through 2007/2008

Development programme	Budget (million USD)							
	2005/06		2006/07		2007/08		Total	
	GoT*	Dev.P	GoT	Dev.P	GoT	Dev.P	GoT	Dev.P
DP1: Forest Resources Conservation and Management	0.5	1.7	2.0	3.9	2.2	4.1	4.8	9.8
DP2: Institutions and Human Resources	3.5	9.6	3.0	6.6	2.7	3.6	9.2	19.8
DP3: Legal and Regulatory Framework	0.2	0.2	0.2	0.2	0.2	0.2	0.6	0.7
DP4: Forestry Based Industries and Sustainable Livelihoods	0.1	0.6	1.2	1.7	0.5	1.4	1.8	3.7
DP5: Beekeeping Development	0.1	0.5	0.2	0.6	0.2	0.9	0.5	1.8
Total	**4.4**	**12.7**	**6.5**	**13.0**	**5.8**	**9.9**	**16.8**	**35.6**

Source: NFBKP Joint review report, 2009. *GoT = Government of Tanzania, and Dev.P = Development Partner

In order to reduce the imbalance in funding and accelerate funds disbursement, the National Forest Programme planning process was designed. It addresses the need to have a sound financial management system for budgeting, accounting and auditing, based largely on government procedures and structures (NFP, 2006). The process was to be applied in SWAps, where FBD programmes/ projects will have to use government accounting and auditing systems. Three possible financing and disbursement modalities were designed to facilitate SWAps:

(i) **Budget support,** whereby all funds to support the forestry and beekeeping sector will be paid directly to the Ministry of Finance. FBD projects and programme will receive the funds through the government budget system.
(ii) **Basket funding**, whereby funds under SWAp are pooled into two baskets operating at the national (Ministry) and local government levels. This system is used by the Ministries of Health and Education in the implementation of their programmes.
(iii) **Loose SWAp**, whereby funds are retained in project accounts and allocated towards priority areas within the programme, using common procedures.

However, due to policy differences among DPs, SWAp is yet to be implemented.

Loans from financial institutions

Beyond support from DPs, the forest sector must look for other sources of funding, including loans from financial institutions, to finance specific activities within the NFP. For example, through IDA credit, the World Bank financed the Tanzania Forest Conservation and Management Project (TFCMP) (2002 - 2009).

Grants from international organizations

International organizations also support NFP implementation through grants. The latest support has been the GEF financing of the establishment of EAMCEF and the Eastern Arc Mountains Forests Conservation and Management Project by UNDP. The establishment of an endowment fund (EAMCEF) specific to biodiversity conservation in the Eastern Arc Mountains has opened up a new chapter in forest financing and a new avenue for many DPs to channel their funds. Support from the Government of Tanzania, GEF, UNDP, GIZ, DANIDA, and the European Union to forest conservation activities in the Eastern Arc Mountains has been substantial, and there have been contributions as well from NGOs such as TFCG, WWF, WCST/DOF and CARE. Table 5.4 summarizes some financing by different donors to biodiversity conservation in the Eastern Arc Mountains.

Table 5.4 Selective donor financing for the Eastern Arc Mountains

S/N	Development Partner	Amount in USD
1	Tanzanian government funds to District foresters	54 000
2	Tanzanian government funds to Regional foresters	3 000
3	NORAD support to catchment	60 000
4	PFM support (DANIDA)	180 000
5	District support (GTZ)	95 000
6	Irish Aid support	10 000
7	UNDP GEF	100 000

Source: Eastern Arc Report, 2009.

Currently, UNDP is financing the conservation of coastal forests (the budget is presented in Annex 2). The environment of coastal forests is another area with potential for biodiversity conservation due to high levels of both endemism (plants and several animal taxa) and richness of species. Coastal forests in Tanzania continue to face massive external logging pressure. Strengthening of forest management is being done by involving local communities through PFM. The current funding for coastal forest management is from UNDP, which is providing USD400 000 in cash annually over the project period (2010 – 2014). The project is co-financed with in-kind contribution from the government.

Private financing

In accordance with the National Forest Policy, the forest sector is encouraging and promoting private sector involvement in forestry. In response to this, a number of private companies have started investing in forest estate development as well as in wood industries. Private sector involvement has also been enabled by the conducive investment environment provided by the Investment Policy. Table 5.5 shows the companies already engaged in forest development and wood processing. Data are unavailable on the amounts of investments.

Table 5.5 Private forest companies operating in Tanzania

Plantation Owner	Planted area, (ha)	Forest development activity	Species
Tanganyika Wattle Company	14 500	tree planting and processing	*Acacia melanoxylon, Pinuspatula*, wattle
Green Resources Limited	12 682	tree planting, sawmilling and timber treatment	*Pinuspatula, Eucalyptus* spp and small areas of local and exotic hardwoods.
Kilombero Valley Teak Company	8 150	tree planting	*Tectonagrandis*
Mufindi Paper Mills (MPM)	3 600	tree planting and paper production	*Pinuspatula, Eucalyptus*spp
The New Forest Company	1 500	tree planting	*Pine* spp and *Eucalyptus*spp
Total	**39 750**		

Source: Africa Forest Forum, 2011.

On the other hand, the Private Forestry and Carbon Trading pilot project was implemented in the Southern Highlands of Tanzania (Iringa and Mbeya regions: Kilolo, Mufindi, Njombe Rural, Njombe Urban and Rungwe districts) in 2011. The purpose of the project was to create a framework conducive to private forestry through increased availability of information, public-

private cooperation as well as increased capacity in pilot villages involved in private forestry. The project had the following five financed components:

1. An enabling environment for private forestry development (USD28,611);
2. Establishment of mechanisms for financing sustainable private forestry (USD15,606);
3. Promotion of small-scale forest industry (USD29,912);
4. Support for small-scale tree farming (USD161,262); and
5. Preparation of a document for long-term support provided to private forestry and carbon trading (USD31,212).

The financing was provided by the Government of Finland, with funds amounting to USD941,952. The above-listed components were allocated a proportion of 28 per cent of the total money, while the remaining 72 per cent was used for technical assistance and other administrative matters.

5.1.2 Participatory Forest Management Financing

The need for sharing forest management responsibilities with various stakeholders is widely accepted in Tanzania. As such, Tanzania has been implementing PFM approaches, including Joint Forest Management (JFM) and Community-Based Forest Management (CBFM), in response to the widespread view that other forestry management approaches have failed to halt the decline in forest areas in the country. However, an incentive system and benefit and costs sharing mechanisms for such initiatives are inadequately defined, which threatens the sustainability of these participatory management systems in Tanzania. Consequently, development of appropriate mechanisms for (inter alia) a benefit-and-cost sharing incentive system is required to promote understanding and cooperation among stakeholders to sustain forest resources. However, it is important to note that empowering local communities to manage forest resources does not translate into no-cost-at-all on the part of the government. Experience from the participatory process has shown that the assumption that it would be easier and faster to involve villages alone was too optimistic in terms of the demands of management activities, and in turn, the costs. The costs arise from supervision and facilitation activities that are necessary in collaborative management. In the absence of financial arrangements, villages tend to make their own local arrangements to compensate for their efforts to manage forests, but this can still be considered as a form of forest financing.

5.2 Revenue generation

The forest sector generates revenue from fees, rents, royalties and licences charged or issued with respect to the utilization of forest products and services. TFS collects revenues from forest reserves controlled by the central government and forests in general lands. LGAs also have a mandate to collect revenues from forest reserves under their jurisdiction. The Forest Act provides the legal basis for the allocation of management responsibilities of national forest reserves, including collection of revenue, to the designated forest manager (Forest Act 2002, part V, section 27). The Forest Act also has provisions for villages to sell timber from their own forest reserves. The revenue so collected is used to sustain the forest management and to support other village investments. Mechanisms are being developed to facilitate revenue sharing under joint forest management initiatives. Experience shows that revenues from the central government forest reserves are also collected by local government on behalf of TFS. This revenue constitutes about 49 per cent of the total collection (Lyimo, 2001). Revenue from the state-owned forest plantations is collected by TFS staff and constitutes about 51 per cent of the total collection.

Data show that the revenue collection in the forestry sector has been increasing from USD4.2 million in 2002/2003 to USD39.7 million in FY 2011/2012 (Table 5.6 and Table 5.7). Royalties contribute a larger portion of the revenue base and account for over 90 per cent of the total revenue collection. The main products contributing to royalty collection are timber from plantations, natural forests, fuel wood, charcoal and poles. According to the data presented in Table 5.6 and Table 5.7, the revenue has increased partly due to enhanced surveillance efforts in revenue collection and retention, which in turn enables TFS to meet its expenditures on time. Despite the effort to collect such revenues, much of it is either lost through illegal activities or uncollected due to staff shortage and inaccessibility. The administration and management of revenue collection is weak, and the revenue collection system is inefficient. It is estimated that only 5 - 10 per cent (MNRT, 2011) of the revenue due from the forest reserves and general lands is collected.

Table 5.6 Revenue collection for the period 2002 – 2007

DESCRIPTION OF REVENUE ITEM	ACTUAL REVENUE COLLECTION (USD, in thousands) PER YEAR				
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Export certificate and permit	329.1	148.8	145.0	169.2	183.7
Forestry royalties	38 607.9	3 606.9	7 908.8	6 267.4	12 676.1
Receipts from registration fees	2 458.0	546.5	170.8	187.8	299.2
Receipts from compounding fees	1 112.6	38.1	68.9	48.7	116.9
Receipts from honey and bees wax	15.7	6.4	4.5	2.2	7.3
Miscellaneous receipts	9.4	15.4	44.0	54.3	92.5
TOTAL	**4 253.3**	**4 362.2**	**8 342.0**	**6 729.7**	**13 375.7**

Source: FBD/TFS 2011/2012

Table 5.7 Revenue collection for the period 2008 – 2012

DESCRIPTION OF REVENUE ITEM	ACTUAL REVENUE COLLECTION (USD, in thousands) PER YEAR				
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Export certification and permit	192.4	179.4	278.4	362.0	197.8
Rent from telecommunication towers	-	16.9	2.3	2.2	-
Royalties	15 796.4	11 336.4	29 187.3	16 527.0	26 333.4
Registration fees	643.3	870.7	805.5	654.2	511.7
Receipts from compounding fees	213.9	138.9	144.0	60.5	60.5
Receipts from honey and beeswax	3.6	4.9	4.1	7.8	4.4
Miscellaneous receipts, including receipts from recovery of stores	202.8	1 483.8	1 634.8	985.6	1 628.9
Subtotal	**17 052.4**	**14 031.0**	**32 056.4**	**18 599.3**	**28 736.8**
Tanzania Forest Fund (TFF)	-	-	-	1 429.9	6 827.8
Logging Miscellaneous Development Account (LMDA)	-	-	-	6 459.3	2 107.9
Grand Total	**17 052.4**	**14 031.0**	**32 056.4**	**25 058.6**	**39 775.9**

Source: FBD/TFS 2011/2012

Before the establishment of TFS, all forest revenues were remitted to the Treasury, and applications for expenditure were submitted to the Paymaster General in the Ministry of Finance (MoF). The approved funds were released on a quarterly basis to finance forests activities. Budgeting begins four to five months ahead of each financial year, which begins on 1st July. The Treasury provides the budgeting procedures and formats for budgeting. Each ministry/ sector is given a ceiling for its next financial year, and this has to be subdivided into all subsectors. In most cases, the ceiling is much below the request and does not correspond to the medium term expenditure framework. There is usually room for negotiations between the given sector ministry and the Treasury about the ceiling set, and in very few cases, the ceiling may be adjusted upwards. Each sector ministry will meet with the parliamentary sub-committee to deliberate on the figure, and the final figure is tabled in the Parliament for endorsement. All institutions and departments within each ministry follow a similar path, and the ministry submits to Parliament one single ministry budget. After the launch of TFS, the process has been simplified, but the figures in terms of budget must be presented to Parliament as part of the ministry budget. Each agency has been given the authority to operate its own collection and expenditure accounts, which are audited. TFS remits the excess collection (above the approved budget) to the Treasury.

Before TFS, there were delays in the release of funds from the Treasury. Numerically, the annual allocations have been increasing on an annual basis, but due to inflation and local currency devaluation, the net increase is insignificant. The effect of inflation is magnified by the limited local production of many of the inputs needed for the forestry business.

The budgets for development expenditures funded by DPs are tabled separately for negotiations between the Treasury (on behalf of the GoT) and the funding agent, in the presence of the MNRT.

5.3 Administration of Forest Revenues

The mandate to collect revenue accrued from forest products and services obtained from national forest reserves and forests on general land is given to TFS through the Forest Act of 2002 (Part II and Part X). TFS, as a semi-autonomous agency, is allowed to retain the revenue collected to finance its annual budgets. Revenue collection is performed by TFS staff and supported by local government staff. However, revenue collected from LGA forest reserves and VLFRs is retained by the respective LGAs (district and village governments). Also, local governments are mandated through the Finance Act of 1982 to collect a levy of 5 per cent on all forest products harvested within their districts. The budget to support forest activities is inadequate despite the revenue collected within LGAs.

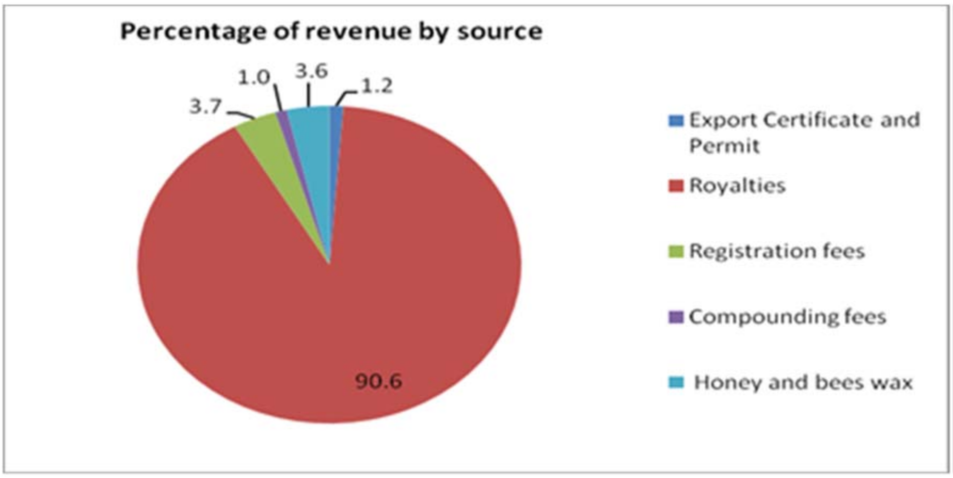
The current forest revenue charges include various receipts from fees, royalties, other miscellaneous payments and LMDAs charged in forest plantations only. Measures are being taken to increase revenue by identifying new revenue sources, revising prices as well as strengthening law enforcement. One of the major important weaknesses in revenue systems is the lack of quantitative standards for setting prices and fees. This is done administratively, and therefore does not reflect the real values of the goods and services provided.

Forest charges and fees

Forest charges and fees are clearly outlined in the Forest Regulation (2004), Schedule 14. The fees and royalties are paid when products like logs, poles, withies, firewood, charcoal, fibres, seed, seedlings etc. are removed from forests (natural and plantations) by licence (Part VI of the Forest Law, (2002)). The forest regulation specifies rates for user fees charged for forest services. The commonly charged fees are for research and camping fees.

District Forest Officers, Regional Forest Officers, Forest Plantation Managers, Catchment Forest Officers and Mangrove Forest Officers collect the fees and royalties. The revenues collected from national forest reserves and forests on general land are remitted to TFS accounts, and the TFS later transfers excess revenue to MNRT/ the Treasury. TFS headquarters also collects revenue through patrols as well as registration, grading and export fees, according to section VII of the Forest Law (2002), which specifies how to conduct trade in forest produce. Both forest charges and fines for defaulters are low and attract overharvesting, threatening sustainable forest management. Major forest products contributing to forest royalty and fees are timber, charcoal, and fuel wood. Data analysis from previous studies for FY 2006/07 shows that almost 90 per cent of all revenue is derived from royalties charged on charcoal and from forest plantations. Figure 5.1 shows the contribution of major revenue sources.

Figure 5.1 Contribution of major revenue sources to total revenue collection (2003 - 2012)



To ensure control in revenue collection, there are a number of documents and check mechanisms outlined in the Forest Law (2002) and the respective Forest Regulation (2004) (First to Thirty-ninth Schedules). Forms that are commonly used by FBD/TFS and district authorities include:

(i) Certificate of Registration
(ii) Licences for harvesting
(iii) Transit Passes
(iv) Exchequer Receipts Voucher (ERV) – issued on payment of respective money.

A Certificate of Registration is given to the person (trader) who has a business licence issued by Ministry of Industry and Trade. The person is then registered after paying the registration fee (covering a one-year period from July-June) and then receives the application form to be a dealer in forest products.

An application form for dealers in forest products is to be filled out by village governments, who must confirm the availability of wood for harvesting.

A licence to harvest the approved amount is issued by the forest office to a person who has been approved by the local authority area harvesting committee, after the applicant has paid the required royalty rate. Also, a five per cent less as well as another five per cent to compensate for tree planting are paid.

A Transit Pass is issued to the trader in order to enable transport of the forest products from within and outside the region where harvesting has been done, and is valid for one day to one week.

In addition, a **Register of Forest Produce Dealer Records** is maintained from the harvesting source and is used for reporting.

5.3.1 Trade charges

TFS and the local government authority collect fees and charges on accessing and harvesting of forest produce. They also facilitate the transportation of the produce within the country by providing Transit Passes to dealers. For export businesses, the authorities collect fees on grading and export permits for commercial and non-commercial consignments in accordance with the Fourteenth Schedule of the Forest Regulation. A commercial consignment has a value equal to or greater than USD300. The fees for commercial consignment vary according to the volume of export, whereas grading and export permit fees equivalent to USD63.63 are charged separately for each consignment of 20 m^3. For non-commercial consignment, the fee is approximately USD20 for an export permit, and the same amount is charged for grading. TFS does not charge any money on the value of exported produce, regardless of total market value. Major export products include wood products such as sawn timber, flooring boards and carvings; and include non-wood products such as honey, beeswax, essential oils, gum and resins. However, for control purposes and social reasons, export of round wood was banned in 2004 so as to promote value adding for wood products within the country and to create local employment through the wood processing industry. Some forest produce export values are presented in Table 5.8; however, the reported export values are likely unreliable due to the extreme tax evasion and forgery practiced by export traders.

Table 5.8 Forest products export values for the period of 2005 – 2011

YEAR	**2005**	**2006**	**2007**	**2008**	**2011**	**2010**	**2011**
PRODUCT	**Export Value in USD, in thousands**						
Wood products	16.87	115.52	221.37	179.72	25.53	4 453.30	303.75
Non-Wood products	2 493.04	1 813.96	2 416.73	2 832.77	0.00	1 331.75	4 089.42
TOTAL	2 509.91	1 929.48	2 638.1	3 012.49	25.53	5 785.05	4 393.17

Source: TFS (its own source), 2011

5.3.2 Efficiency in forest revenue collection

In view of the limited and uncertain government budget for forest management on the one hand, and the high potential for revenue collection on the other, measures to improve revenue must inevitably be instituted. Reports indicate that the forest budget has been less than 1 per cent of the total national budget. Furthermore, administration and management of revenue collection from forest resources is weak, and the revenue collection system inefficient, such that only an estimated 5 to 10 per cent of the revenue actually due from the forest reserves and general lands is collected.

The establishment of TFS with the mandate for the management of national forest reserves, bee reserves, and forest and bee resources on general lands has created the foundation for improved revenue collection practices. TFS is required to ensure efficient and effective i) management of forest and bee resources and ii) collecting of forestry and beekeeping revenues to finance its operations. TFS collects sufficient revenue, but due to staff shortages, it has not been able to curb illegal activities in forests; hence, much of the potential revenue remains untapped and forests are being degraded. It is reported that revenue lost by central

and local governments due to the under-collection of royalties has reached up to 96 per cent of the total amount of potential revenue due. At the central government level, it was tentatively estimated that nationwide losses of revenue to the forest sector amounted up to USD58 million.

Measures instituted to improve the situation include introduction of a system for registration of forest produce dealers and licensing. Another such measure is the establishment of FSUs, which conduct law enforcement along transport routes, in market areas and in forests to control illegal actions on forest trade. Still other such measures are the use of checkpoints and Transit Passes. These have all greatly contributed to improved revenue collection.

Regular revision and increases of fees and royalties for forest produce and services alongside consideration of management costs, stumpage price appraisal, inflation rates and exchange rate fluctuations will significantly improve the revenue base. Fines and penalties need to be increased to maintain constant costs/values and be an effective deterrent instruments. Given improvement in revenue collection, sufficient staff, proper planning, good governance and efficient management, SFM will continue through finances from revenues collected. With or without FSUs, regular monitoring and auditing of forest operations and revenue collection systems are indispensable.

5.4 Planning and budgeting

Planning and budgeting occur at different levels. Importantly, the process should ensure that the lower levels are guided by higher-level plans, including the NSGRP. Relationships from one level to the other should occur seamlessly (without duplication and redundancy). In each ministry, the Medium Term Strategic Plan sets the Ministry Vision, Mission, Objectives, Strategies and Targets with Key Results Areas and Key Performance Indicators to measure the performance. These guide the planning and allocation of resources through MTEF in the sectors. The latest Medium Term Strategic Plan for MNRT was for the period of June 2003 to June 2006. The preparation of the plan followed several other planning processes adopted and used by each ministry since 1992, including the Rolling Plan and Forward Budgeting, Performance Budgeting and the MTEF.

Forest sector budgeting through government financing must adhere to MNRT- MTEF planning objectives and procedures, whereas NFP and other projects in the sector present their project budgets to the Ministry as donor funded projects/ programmes with some integration of NFP and MNRT objectives. Budgeting starts in MNRT, which in turn forwards a consolidated budget to the Ministry of Finance (MoF). In this process, the forest sector must table its requirements to MNRT. The MNRT objectives of relevance to the forest sector are presented in Box 5.2, and the forest sector budget for the years between 2007/2008 and 2010/2011 is shown in Table 5.9. These objectives together aim at fulfilling the overall goal of the forest sector, which is “to enhance the contribution of the forestry sector to sustainable development of Tanzania and the conservation and management of her natural resources for the benefit of the present and future generations”. Objectives A and B do not address the forest sector, but do address other sectors in MNRT, including antiquities and tourism sectors.

Box 5.2 MNRT planning objectives for forest sector budgeting

OBJECTIVE C. Management decisions based on clear policies, legislation, guidelines and researched information realized;
OBJECTIVE D. Stakeholders increasingly involved in sustainable management and utilization of natural, cultural resources and tourism operations;
OBJECTIVE E: Law enforcement in management of natural and cultural resources and tourism operations strengthened;
OBJECTIVE F. Institutional capacity to deliver services effectively and efficiently attained;
OBJECTIVE G. Revenue collection system from natural and cultural resources; and tourism operations improved;
OBJECTIVE H. Management and accountability of physical assets, human and financial resources improved; and
OBJECTIVE I. Opportunities and obligations from international fora, bilateral and multilateral Agreements that Tanzania is a party [to] are realized.

Note that Objectives A and B are omitted because they address only antiquities and tourism sectors.

Table 5.9 Forest sector funding through MNRT Objectives

	Approved budget per financial year in USD, in thousands				**Total in USD, in thousands**	**share (%)**
Objective	**2007/2008**	**2008/2009**	**2009/2010**	**2010/2011**		
C	1 875.3	502.6	1 311.4	330.0	4019.6	27
D	234.1	324.6	606.3	274.4	1439.5	10
E	353.1	657.1	604.4	1 248.4	2863.2	19
F	1 049.7	1 726.8	337.3	1 786.3	4900.4	33
G	416.5	314.2	221.4	181.3	1133.5	8
H	126.7	29.7	33.4	120.8	310.6	2
I	39.8	44.9	55.0	68.9	208.6	1
TOTAL	**4 095.2**	**3 599.9**	**3 169.2**	**4 010.3**	14875.6	100.0

Note: Excluding Basic Salaries

With the establishment of TFS, its budgeting is done according to the TFS Strategic Plan with the following objectives:

A: HIV/AIDS infections reduced and supportive services to people living with HIV/AIDS improved;
B: Sustainable supply of quality forest and bee products enhanced:
C: Stable ecosystem and biological diversity maintained;
D: Institutional capacity to deliver services strengthened; and
E: Good governance and gender balance enhanced.

TFS core business is defined by its three objectives, namely i) sustainable supply of quality forest and bee products enhanced, ii) stable ecosystem and biological diversity maintained, and iii) institutional capacity to deliver services strengthened. The other two objectives are cross-cutting in nature: i) HIV/AIDS infections reduced and supportive services to people living with HIV/AIDS improved; and ii) gender balance and good governance enhanced. It is the government directive that these two cross-cutting objectives must be integrated and implemented in all MDA strategic plans.

TFS budget for financial years 2011/2012 and 2012/2013 is presented in Table 5.10. According to the agency establishment order, TFS has the mandate to utilize revenue collected by allocating the funds to activities to be implemented according to its strategic plan.

Furthermore, the agency is allowed to carry over any unspent funds to the following financial year.

Table 5.10 Two-year TFS Budget

Objective	Annual Budget (in USD)	
	2011/ 2012	2012/ 2013
A: HIV/AIDS infections reduced and supportive services to people living with HIV/AIDS improved;	47 969	126 520
B: Sustainable supply of quality forest and bee products enhanced	8 441 003	7 637 983
C: Stable ecosystem and biological diversity maintained	2 725 822	3 050 539
D: Institutional capacity to deliver services strengthened	5 353 306	11 935 464
E: Good governance and gender balance enhanced.	75 563	130 588
GRAND TOTAL	**16 643 662**	**22 881 094**

Source: TFS reports, 2012

TFS began operating in FY 2011/ 2012 with an approved budget of USD16.6 million, but managed to collect approximately USD39.7 million. During the budgeting for 2012/ 2013, the projected revenue collection was USD47.0 million against the approved budget of USD22.8 million. This clearly shows there is potential for self-financing.

Internal sector financing arrangements through Logging Miscellaneous Deposit Accounts

The Government has supported and encouraged the establishment of forest plantations to complement and reduce pressure on wood supply from natural forests. The forest plantations comprise mainly fast-growing conifer species and some teak and eucalyptus hardwood species. There are 16 government-owned forest plantations scattered across different parts of Tanzania, covering approximately 83 000 hectares. However, for the past 30 years, the management of these plantations has suffered from slow development due to inadequate financing of forest operations, difficult accessibility of some of the forest plantations, slow planting of new areas and inadequate management to sustain future demands. Realizing the situation, the Government introduced a financing arrangement called LMDA in 1989 on a pilot basis in three forest plantations: Meru, North Kilimanjaro and West Kilimanjaro. Through LMDA, forest plantations are allowed to charge and retain fees from logging activities, road maintenance and silvicultural activities. LMDA was found to be a viable financing source for forest plantation operations and was expanded to cover all 15 forest plantations in the year 2000. LMDA has significantly improved planting of clear-felled areas, silvicultural operations and facilitation of the forest plantations administration. Currently, LMDA contributes to 100 percent of forest plantation budgets, excluding permanent staff salaries, which are paid from the Treasury. Table 5.11 shows LMDA collection and annual plantation budgets. Plans are underway to expand the area under forest plantations to meet the ever growing demand for wood raw materials. These plans are to be made by the Government, communities and private sector.

Table 5.11 Some LMDA revenue data for the period of 2009 – 2012 (million USD)

LMDA/ Year	2009/2010	2010/2011	2011/2012
Actual collected	9.5	7.2	7.4
Approved plantation budget	9.1	9.0	6.9

5.5 Enhanced SFM through other relevant sectors

The Ministry of Lands and Human Settlement Development is facilitating village land surveys through the National Land Commission to prepare village land use plans. The process involves demarcation of village forest areas, among other land uses. The surveys are important for enhancing reserved forest areas under village management. The process is slow because of uncertain budgets, contributing to low private investments in village forest lands.

Tanzania has a good number of energy sources, including solar, wind, biogas, coal reserves, natural gas, hydropower, biofuel, wood-fuel and geothermal power. Of all these, the most exploited source is wood fuel, because it is considered both cheap and easily accessible for rural and urban populations. The forest sector, in collaboration with the Ministry of Minerals and Energy, has been conducting joint meetings to discuss energy issues, including developing a strategy to address charcoal problems. The ongoing efforts to exploit marine natural gas reserves in Mtwara and Lindi regions and make it available for increased power generation and domestic/household uses will significantly reduce the demand for charcoal and wood fuel, especially in urban areas. That in turn may enhance SFM by reducing forest deforestation and degradation.

6. DEMAND FOR FINANCING FOR SUSTAINABLE FOREST MANAGEMENT

The responsibility for implementing the National Forest Policy to ensure sustainable forest conservation and management is vested in TFS under MNRT. However, due to the magnitude of the workload, the need to involve other stakeholders is inevitable. This involvement includes facilitation and financing of sector activities. As stated earlier, the main source of financial resources required is the forest revenues. The need for forest financing is first indicated in the National Forest Policy, which aims at establishing a mechanism for sustainable forest financing structures. The Policy also explores possible finance avenues including:

(i) Review of forest products and services prices based on their respective economic and market values;
(ii) Efficient collection of royalties and other fees;
(iii) Improvement of the link between donor funding and the national financing structures;
(iv) Promotion of private investment by creating an enabling environment;
(v) Commercialization of some research activities to increase self-financing; and
(vi) Establishment of special funds for projects with global dimensions, such as conservation and research.

According to the Forest Act, the revenues are accrued from royalties, and fees are charged for different goods and services.

The demand for financial resources is also indicated in the National Forest Programme, which identifies programmes and activities to be implemented over a ten-year period. The actual financial demands are stipulated in the FYDP and implemented through the annual plans and budgets. According to the current FYDP (2010/2011 – 2015/2016), the projected forest sector budget is USD44.0 million. Out of this amount, government contribution is only USD1.0 million, DP contribution is USD8.0 million, and the balance is to be covered by other sources, including TFS, TFF and the private sector, whose contribution is not reflected in these figures. The figures explicitly indicate that donor financing to the forest sector is high.

The planning and budgeting process for the National Forest Programme follow the government budget cycle; the planned annual activities of the Programme are, however, integrated into the MTEF aligned with NSGRP targets and objectives as well as the Ministerial Strategic Plans and District Development Plans.

With the National Forest Programme, the budgeting procedure for implementing the programme is done in accordance with NFP development programmes, sub-programmes and activities. Due to limitation of funding and donor priorities, some activities are either over- or underfunded. The first implementation phase (2001 – 2008) of the programme did not indicate the required budget. Hence, the need for establishment of joint financing mechanisms was realized, and the SWAp process was initiated in 2005. Nevertheless, financing for the programme has been left to the original facilitator of programme development – the Government of Finland. Programme financing during the second implementation phase (2009 – 2011) indicated a total budget of USD11,704,500 to finance the four development programmes. However, the monetary distribution to the various thematic development programmes and sub-programmes varies significantly, demonstrating a lack of priority on less-than-adequately-financed thematic areas (Annex 3). The budget for development programmes for 2009 – 2011 is presented in Table 6.1. As observed during the review of the phase I implementation, the budgeting for phase II still gives special focus to DP1 (Forest Resources Conservation and Management) and DP2 (Institutions and Human Resources), leaving other thematic areas with less money.

Table 6.1 Financing phase II of National Forest Policy development programmes

Development programme (DP 1-4)	Total Budget for (2009 – 2011) (USD)
DP1: Forest Resources Conservation and Management	**5 030 060**
DP2: Institutions and Human Resources	**3 827 223**
DP3: Legal and Regulatory Framework	**974 792**
DP4: Forestry Based Industries and Sustainable Livelihoods	**1 872 426**

Conversely, other planning frameworks, such as FYDP (5 years), MTEF (3 years and rolling), annual work plans and budgets, explicitly show the financial requirements for the approved activities. These frameworks also indicate tentative sources of financing. The sector financing through MNRT thematic objectives shows variations on allocations of funds as well, whereby more funds are being allocated to Objective C (management decisions based on clear policies, legislation, guidelines and researched information realized) and Objective F (institutional capacity to deliver services effectively and efficiently attained). For the period of 2008 – 2011, the allocation for these two objectives was 27 per cent and 33 per cent respectively of the overall budget of USD14.9 million (Table 5.9). In this case, some core activities, such as law enforcement (objective E) and revenue collection (objective G), are given minimal attention.

Although the budget books may indicate the Government's financial commitment to forest management, it is not easy to establish how much money has actually been released on an annual basis to LGAs to support forestry. In most cases, there have been gaps between what has been approved and the actual disbursement. Regardless of this shortcoming, what is obvious is that the demands for financing are higher than the projected revenues.

As mentioned earlier, financing of the National Forest Programme is mainly supported by the Government of Finland, and failure to operationalize joint financing mechanisms in the forest sector has caused DPs to plan and support the sector on individual projects and programmes, as indicated in Table 6.2. Although projects may be operating in different sites, in most cases they support similar activities. For instance, PFM is being implemented in four projects mentioned below (all except the Fire Management project).

Table 6.2 Donor-funded forest projects (2011 – 2014)

S/N	Area of support	Duration - year	Total Budget	Remarks
1	PFM Project	2012 - 2013	USD30 091	Danida Continuation
2	NFP – ISP	2011/2012-2012/2013	USD1.2 million	Finland
3	Extended Coastal Forest Management Project	2011 - 2014	USD1.2 million	UNDP
4	Integrated Fire Management	2011 –2012	USD725 000	GIZ
5	REDD	2010 - 2013	USD4.2 million	UNDP, Norway

In addition, in 2011, the forest sector implementation of a pilot project on Private Forestry and Carbon Trading in Tanzania was facilitated by the Government of Finland, with budget support of USD941,952. This budget was further distributed among the five project areas. The project budget indicates that facilitation of small-scale tree growers required more finances than the other components, which made up 17 per cent of the budget. It is noteworthy that a large

share (72 per cent) of the budget was allocated to technical assistance and project administration.

TFS planning and budget involve i) the formulation of priority activities, ii) the alignment of these with respective specific targets under each strategic plan objective, and iii) the allocation of resources accordingly. The planning and budgeting process follow the Government cycles. Apart from annual targets, the TFS strategic plan does not show financial demand projections. According to the two-year TFS budget (Table 5.10), more funds are required to finance objectives B (sustainable supply of quality forest and bee products enhanced), C (stable ecosystem and biological diversity maintained) and D (institutional capacity to deliver services strengthened), which are key in terms of forest conservation and management. The budget proportions for these are 41 per cent, 15 per cent and 44 per cent, respectively.

7. FINANCING GAPS AND KEY CHALLENGES

7.1 Gaps

There are financial gaps and challenges when one compares financial demands with expected revenues. Internally, there is limited capacity to deduce the financial requirements for the various forest financing components, even in the presence of the National Forest Programme and respective development programmes and sub-development programmes. TFS has also not managed to collect and compile data on potential funding levels and revenue from different sources. The failure is attributable to uncoordinated plans within the sector and absence of an operational SWAp to put together commitments from various sources, including DPs; as a result, the available information is patchy. Therefore, there is an urgent need to first harmonize the priorities of funding agencies and those of the forest sector.

Analysis of forest sector expenditures against revenues for the years 2006 – 2008 with the available data shows the collected revenue is not sufficient to finance planned activities. For instance, in 2007, the collected revenue was USD13.7 million, while the combined budget for the NFP and its development programmes and that of MNRT objectives in the same year was USD19.5 million. This budget excludes financing by other stakeholders such as the LGAs, the private sector and the activities facilitated by NGOs. As long as the additional sources of revenue are insufficient to address the increasing demands, more external financing must be sought.

On the other hand, TFS figures indicate there is excess revenue left after deduction of its budget requirements; hence, there is potential for self-financing, but also a lack of adequate human resources to implement planned activities, including law enforcement and efficient revenue collection.

7.2 Challenges

Low and inefficient revenue collection

Forest authorities have not been able to capture all the potential revenue generated. It is reported that revenue lost by central and local governments due to the undercollection of royalties has reached up to 96 per cent of the total amount of the potential revenue due. At the central government level, the estimated nationwide losses of revenue to the forestry sector have amounted nationally up to USD58 million. Substantial amounts are lost through illegal forest utilization and trade. The revenue collected from check points and by FSUs is a testimony to this. For example, some of the licensing and revenue collection centers are far away from forest users (e.g., charcoal producers) and this encourages the users to resort to illegal business, hoping to pay only if they are caught. Much remains uncollected due to these location problems. Further, related logistical problems include shortage of field staff and inadequate facilitation.

Lack of stakeholder capacities

Most legislation and procedures are unknown to users, and this contributes to tax/fee evasion. More and regular extension services are needed.

Unsustainable revenue collection

TFS relies on collection of revenue from charges on forest products and services. The major source of revenue comes from royalties on charcoal and state-owned forest plantations. However, the levels of charcoal exploitation are alarming, with greatest impact on the forest

resources. Therefore, royalties from charcoal are not sustainable. State-owned forest plantations are 100 per cent financed by LMDA funds to implement their activities. Revenue from state-owned forest plantations (from royalties and LMDA) is not reliable either, as the forecast suggests a major drop in wood supply from the plantations (from the current 900,000 m^3 to 300,000 m^3) by 2017 (Indufor Oy, 2011). Such raw material scarcity may decrease revenue generation in the forest sector, causing failure in forest management performance.

Capturing revenue from forest ecosystem services

The financial system does not capture all revenue sources. For example, there is no legislation requiring forest water users to pay TFS for management of forests to generate watershed services. Instead, authorities benefit who have nothing to do with the watershed management. The water department authorities, who do not manage any forest, collect water rights fees from those who tap into water from forest areas, and they receive water usage fees from irrigation schemes and power generating utilities. The lack of relevant revenue hinders investment and management of the forests providing the services; therefore, an optimal level of service provision is not attained.

Dependency on Official Development Assistance

During 2005-2008, two thirds (68 per cent) of expenditures in the forest sector came from ODA sources. ODA is not a sustainable funding source, so in the medium to long term, the country should be able to fully finance its expenditures in the forest sector. Donor policies can change; thus, the amount of assistance is not ensured, and this can be detrimental to the success of NFP implementation. The current institutional arrangements under which the forest sector receives and expends the support from DPs present challenges: there are disparities between beneficiaries' and financiers' policies, priorities and operational systems. Moreover, efforts to establish SWAp have not been successful. Donors will continue to provide support on a project or programme basis according to their own priorities, with less alignment and harmonization as a result. The challenge is to develop a common system in which support from DPs can be streamlined to address sector priorities within the limits of the DP priorities.

Lack of analysis on investment potential and related communication in the sector

Forest investment opportunities and the long-term nature of forest investments in Tanzania are either unknown or unpublicized.

Lack of market intelligence

Small tree growers (farmer /woodlot owners) have limited knowledge of prices, ending up with small share of profit despite a long period of time (15 years or more) of taking care of trees. The lack of a control system enables many traders to purchase sawn timber/ logs produced by farmers at very low prices. This situation discourages small holder investment.

Private sector investment in forestry

Land tenure issues and trust among players remain to be discussed. The main challenge facing private sector investments is land acquisition, because the process is slow, with no guarantee of success. Foreign private companies are increasingly seeking investment opportunities. Unless these issues are properly addressed, private sector participation in forest investment may be slowed.

Low domestic investment into value-adding industry and low industry efficiency

Domestic private sector investment is skewed toward utilization, with low interest for forest development and management. However, the small-scale sawmills dominating the wood industry characteristically have low recoveries.

7.3 Opportunities and success stories

Based on ongoing practices, there are opportunities and success stories that the governments, private sector and communities could explore to encourage financing for SFM. These opportunities and success stories are discussed below.

Institutional reform and improved revenue collection

The establishment of TFS as an Executive Agency will improve efficiency in forest management and conservation. This is because TFS is more autonomous in terms of revenue generation and budgeting, resulting in increased budget allocations for forest management. Decision-making is expected to be faster under TFS than it was under FBD. TFS managed to exceed revenue collection projections of USD33.8 million in FY 2011/2012 due to the flexibility it has in allocating resources to law enforcement. USD39.9 million was the actual collection, thus rescuing USD875,000 which could have been lost as leakage. This positive experience of institutional reform has also provided the opportunity for improved revenue generation and efficiency in conducting field operations.

Emerging opportunities:

(i) Carbon trading and Reduced Emissions from Deforestation and forest Degradation (REDD)

Tanzania has positioned itself as a key player for REDD in Africa. It is one of the three UN REDD quick-start countries in Africa, and the country has been included in the Forest Carbon Partnership Facility (FCPF) proposed by the World Bank. Norway is the major donor, with a total funding of USD73 million over a five-year period for the development of a national REDD programme in the country. The National REDD initiative was launched in August 2009. To date, there are nine ongoing interventions to link REDD with PFM, and there is more focus on bringing carbon trading and financing to local communities practicing conservation and sustainable forest management. Carbon trading is another opportunity for enhancing forest financing, if undertaken well. Access to REDD finances could potentially facilitate and speed up carbon trading and possibly reduce the high levels of deforestation and forest degradation.

(ii) Payment for environment services

The Equitable Payments for Watershed Service (EPWS) project implemented by CARE and WWF in Tanzania was developed to test the viability of establishing a payment mechanism that would reward farmers in the upper catchment of the Ruvu River for measures adopted to conserve water and reduce surface run-off. However, payments for conservation efforts were received only once, and only with a fair amount of persuasion. Considerable time and financing-- with up-front investments from donor sources as well as private sector funding-- are required to demonstrate the viability of EPWS. The case presents an opportunity for financing SFM, and needs to be scaled up to mobilize more financing after issues such as distance, establishment of links, advocacy, equity and institutional structure are resolved.

Forest resource information

NAFORMA provides sound baseline information for forest resource management and utilization planning. The data will provide the basis for effective planning and better resource information forecasts. Furthermore, NAFORMA data will improve the development of forest management plans and resource utilization plans. Thus, revenue forecasts will also be enhanced.

Participatory approaches

The inclusion of participatory approaches in forest management encourages more communities to engage in SFM. PFM approaches have encouraged more partners, including DPs and NGOs, to support SFM. Success stories on the impact of PFM on forest resources have been recorded in Tanzania in terms of recovering flora and fauna and of effective management at minimum cost (Kajembe et al., 2003, Blomley et al, 2008). Despite high donor dependency on facilitating PFM, the approaches used in Tanzania can be duplicated in other countries, as they provide the opportunity for mobilizing donor financing and, importantly, support local livelihoods and empowerment of rural communities.

Forest funds

Establishment of forest funds, such as the Eastern Arc Mountains Conservation Endowment Fund and Tanzania Forest Fund, has increased opportunities for funding forest protection and other core management activities. According to TFF arrangements, the funds charged from royalties and fees are collected and retained at the source, and the expenditure is done according to TFF action plans. So far, TFF has financed 100 conservation, livelihood and research projects with financing of about USD1.0 million. This is positive in terms of facilitation of sustainable forest management. EAMCEF has been successful in financing 90 community projects around the Eastern Arc Mountains with funds equivalent to USD687,500. Also, EAMCEF has extended support to district councils on tree planting and forest protection on forest reserves of LGAs. The nine nature reserves along the Eastern Arc Mountains also receive financial support from these funds. The EAMCEF experience suggests that an opportunity exists for establishing similar funding mechanisms for Tanzanian coastal forests, which are among the most endangered ecosystems in Tanzania.

Financing of forest plantations management through the Logging and Miscellaneous Deposit Account

The LMDA is a special account that TFS operates in state-owned forest plantations. Positive impacts have been realized alongside the introduction of LMDA in state-owned forest plantations. LMDA was introduced in 1989 on a pilot basis in three state-owned forest plantations. Because it was feasible, LMDA was expanded to all forest plantations in the year 2000. LMDA allows state-owned forest plantations to charge and retain fees from logging, road maintenance and silvicultural activities and to use the same fund for serving forest plantations' budgets. LMDA is viable financing as long as there is a sufficient allowable cut. LMDA has significantly improved the planting of clear-felled areas, silvicultural operations and facilitation of the forest plantation administration. Currently, LMDA contributes to 100 per cent of forest plantations' budgets. LMDA has increased efficiency in management of state-owned forest plantations as a result of the spot-funding of operations that reduces the amount of time for requesting funds from the central office.

New charges

In 2007, the government introduced a new type of forest charge referred to as tree planting charges. This is charged as 5 per cent of any royalty collected by the state from tree felling for

charcoal production, timber and firewood. These charges are collected by District Forest Officers and deposited into a TFF account. The amount collected is reimbursed to respective districts at the end of the year to finance tree planting in the harvested areas. Significant amounts, i.e., USD75,000 for the past two years, have been collected from 14 of the more than 120 districts. However, supervision is needed. The introduction of this charge and its success imply that there are more opportunities for forest financing if well planned.

Supporting small scale investment through tree growers associations

The presence of a tree growers association is an added value to financing for SFM. This initiative was piloted in the Southern Highland of Tanzania in 2011 through a PPP project. The initiative has shown positive indications, whereby important information on markets and prices has been made available to small-scale tree farmers and has subsequently derived better prices for their produce. This is an incentive for the tree farmers to expand their undertaking. Also, through this initiative there is promotion of small-scale forest industry, thus reducing wood waste in processing and providing an enabling environment for private forest development. To date there are 34 tree growers associations that have been registered. These associations create the opportunity for linking Tanzanian tree growers to international carbon markets, hence engendering financing for SFM.

8. ENABLING ENVIRONMENT FOR FINANCING SFM

8.1 Policy and regulatory frameworks

The legal and regulatory framework within the sector and the country at large provides the enabling environment for financing SFM. The National Forest Policy (1998) asserts the importance of establishing mechanisms to enhance long-term financing of the forest sector. The mechanisms focus on the public sector, private sector, donors, NGOs and local communities. For example, the cost of starting a business has decreased from 209.6 per cent of the income per capita in 2004 to 32.2 per cent of the income per capita in 2012. Also, the amount of days to register property has decreased from 77 to 68. Regarding trading across borders, time for handling exports has decreased from 30 days in 2006 down to 18 in 2012. Imports have been facilitated by reducing the amount of time for obtaining investors' export goods to one month. Also, the number of documents required in handling exports has decreased from eight to six, thus reducing bureaucracy. Industry establishments receive electricity in an average 109 days, whereas it took much longer in the past.

Facilitation of participatory approaches

The Forest Policy promotes the establishment of clear and equitable cost and benefits sharing with joint management responsibilities. Clear and equitable access to forest land and tree tenure rights will lead to both higher incomes for the local communities and easier access to forests for domestic consumption. The establishment and management of more VLFRs, community forest reserves and private forests are promoted. There are also efforts to participate in the carbon trade to gain additional income.

Establishment of VLFRs, whereby the village government is the owner and manager, contributes to achieving the goals of SFM. Further public sector self-financing is planned to occur through the pricing of forest products and services based on their respective economic and market values and through efficient collection of royalties and other fees.

Measures towards a self-financed forest sector

As stated above, public sector self-financing is planned to occur through the pricing of forest products and services based on their respective economic and market values and through efficient collection of royalties and other fees. Also, the introduction of LMDAs as a reliable financing source has been positive in the management of state-owned forest plantations. The pricing of forest products according to market forces is a promising opportunity.

In order to achieve self-financing, the Government has deliberately established TFS and allowed it to retain most of the revenue collected. As stated earlier, the idea is to recycle the funds and to speed up the implementation of the various programmes in the sector. Moreover, the broadening of the revenue base is aimed at increasing the financial capacity of the forest authorities. Another important measure is the provision that enables TFS to more comprehensively review fees and charges. Also, the government has established forest conservation funds to finance forest development in areas outside of TFS. Public sector self-financing is planned to occur through pricing of forest products and services based on their respective economic and market values and through efficient collection of royalties and other fees.

Forest financing gaps will be addressed or reduced by implementing several revenue collection improvement strategies, by promoting private sector participation and by increasing efficiency and effectiveness in the utilization of foreign financing. The revenue improvement strategies include the following:

(i) Expansion of the revenue base;
(ii) Improvement of revenue collection; and
(iii) Improvement of the forest produce pricing system.

Strategies for improving the utilization of foreign financing include:

(i) Increasing foreign direct investment;
(ii) Optimizing the use of foreign assistance, e.g. through a basket funding approach; and
(iii) Exploring international opportunities related to new international initiatives such as REDD+ and CDM.

Expansion of the forest revenue base

The Forest Act indicates 73 revenue sources, whereas effective revenue collection (including fees and royalties charged from saw logs, poles, firewood and charcoal) has taken place only from 40 sources. Payment of income tax on commercial woodlots and plantations is another source of income to both the central and local governments. Yet another source of revenue is property tax (forest land rent), which can be charged to all forest users.

Therefore, a weakness exists in the utilization of the 73 identified sources with potential to generate revenue. This is attributable to an inadequate amount of technical staff and inaccessibility to forest areas.

Improvement of revenue collection

Together with the ongoing improvements in revenue collection, including the establishment of a Forest Surveillance Unit, the capacity of TFS to collect and monitor revenue is still weak due to the aforementioned staff shortage and inaccessibility of the forest areas. One strategy for fixing this problem would be to outsource the revenue collection by identifying and engaging competent individuals and groups. The rationalization and harmonization of revenue collection is also needed to address competing claims made by different authorities (district councils and central government) over forest revenue. Consultations between TFS and local governments must take place to define common rules and procedures. Improved revenue collection would be facilitated with the strengthening of revenue collection capacity through training on royalty assessment, collection and reporting in the TFS; as well as with the provision of administrative and political backing. Mechanisms to increase staff motivation, e.g. through a compensation system and other incentives, would reduce irregularities, including corruption and collusion. These measures should be supported by stern disciplinary measures against defaulters. Reporting and monitoring of revenue collection needs to be streamlined through the reduction of unnecessary bureaucracy in the issuance of licences, permits and registration. Simplified licences and improved control through checkpoints, stock registers and transit passes will be developed. Likewise, the introduction of unified charges for each product would eliminate multiple fees and taxes charged by central government and local government staff.

Improvement of the forest produce pricing system

Prices for forest products and services are set administratively. This has denied the forest sector its due revenue, as the prices reflect neither the cost of management nor the resource replacement cost. Market-based pricing of forest products should be aimed for in order to stimulate a competitive and efficient domestic forest industry, to capture the highest possible revenue for the public sector as a resource owner, and to stimulate private forest plantations. Public auctions or tendering/bidding of valuable standing or felled timber lots or concession areas are recommended sales methods.

Promotion of private sector participation

Private sector participation in forest resource management is one option for sharing forest development workload. This option includes collaborative management (Joint Forest Management and Community-Based Forest Management) as well as the promotion of private sector participation in the ownership of plantations through concessions and leaseholds. Private sector participation requires inter alia guidelines on investment opportunities in the forest sector, procedures for land acquisition for investment in commercial tree planting, and a clear definition of ownership of all forestland and trees. Other possible means for encouraging private sector participation include the improvement of infrastructure, provision of tax incentives, credit facilities for investments and joint ventures, transfer of technology and definition of property rights.

Optimizing foreign assistance

As stated earlier, the effort to establish SWAp in forest sector financing has been thwarted by differences in DP policies and priorities. Consequently, the burden of handling donor finances is yet to be solved. Another attempt is needed to address the challenge of reducing the multitude of administrative roles and management requirements through basket funding. This would i) encourage donors to negotiate and develop larger technical assistance packages amid scarce human and financial resources, ii) increase ownership and commitment, and iii) reduce overlaps.

In the medium and long term, the focus should be on exploiting the opportunities provided by the various international initiatives, such as the Conventions on Biological Diversity, and the emerging mechanisms (e.g. CDM) under the United Nations Framework Convention on Climate Change. This also involves promotion of the private sector, NGOs and other capable groups to exploit these avenues.

Increasing foreign investment

The global trend of privatization and the increasing role of private sector investments is fully recognized. However, more efforts are needed to accelerate foreign investment. These efforts would include the identification and setting aside of forest land areas for private investments. Also important would be the harmonization of the procedures for engaging foreign investors among TFS, the Tanzania Investment Centre (TIC), the Ministry of Lands, PMO-RALG, the Ministry of Investments and Empowerment, and the Ministry of Industry and Trade. Facilitation of foreign investment also should encompass the simplification of registration and acquisition of licences, and the securing of the provision of raw materials for foreign investments in the forest sector. The provision of reliable up-to-date information on forest resources is another area which needs to be addressed by TFS to facilitate foreign investments.

Innovative financing mechanisms

The forest sector has managed to establish two forest conservation funds: TFF and EAMCEF. These funds have shown signs of success, and their impact on forest financing is significant. However, the funds are hampered by limited capital. Also, the funds' capacity to gain additional sources of financing is limited. For EAMCEF, the scope of coverage is limited to the Eastern Arc Mountains only, while there are indeed many other areas which need similar attention. To enable revenue generation through the provision of ecosystem services, initial capital to set up the PES mechanism must be mobilized: here, for example, the DPs could play a vital role. Also, as the Equitable Payments for Watershed Services Programme[3] has demonstrated, there is a need in Tanzania to i) establish a policy framework for setting up

[3]http://www.watershedmarkets.org/casestudies/Tanzania_Uluguru.htm

institutions to oversee implementation of PES, ii) establish a solid legal framework so that investment security can be reached, and iii) improve stakeholder understanding and capacities of PES mechanisms.

8.2 Investment incentives

It is government policy to encourage investments in all sectors of the economy. A number of tax incentives are granted to both local and foreign investors as a way of encouraging investments in Tanzania (Table 8.1). The incentives are given with attached conditions. Investment policy has been in place since 1990, when Tanzania Investment Center and the Protection Act (NIPPA) (1990) were established. NIPPA grants tax incentives to investors in the form of tax holidays for a specific period of time. Those who qualify for the incentives are given a Certificate of Approval under the Act. Certificate holders are allowed to import plant, machinery and construction materials for the investment projects without paying import duties for the whole period of the project implementation. In addition, investors are granted a five-year income tax holiday from the date of commencement of production.

Table 8.1 Monetary incentives

Corporation tax	30%
Custom duty on capital goods	5%
Sales tax on capital goods	0%
Capital allowance deduction in the years of income	100%
Withholding tax on dividends	10%
Withholding tax on interest	0%

Immigration quotas

Any business enterprise granted a monetary incentive certificate is entitled, by law, to an initial automatic maximum immigration quota of up to five people during the start-up period. A request for additional experts can be considered upon presentation of the request to the Executive Director for the Tanzania Investment Centre. Immigration visas are issued at points of entry to Tanzania. Also, multiple entry visas to Tanzania are provided to investors on request in cases where there is evidence that it would be necessary to make frequent visits to Tanzania.

8.3 Key bottlenecks and problems

Forest governance and staff shortages

Forest financing through public arrangements has improved with the establishment of TFS. TFS has autonomy in terms of budgeting and revenue generation. It collects sufficient revenue to fund forest activities in the area of its jurisdiction. However, TFS suffers from a shortage of staff, preventing it from being adequately involved in forest management and protection, and leading to sub-optimal decision-making in the sector. As a result, there is an increase in illegal activities, which in turn results in forest degradation.

Overdependence on biomass energy

For the foreseeable future, it is forecasted that wood fuel will continue to be the major source of energy to the majority of people in Tanzania. Energy needs for domestic and commercial uses are also increasing. However, prices for energy alternatives to biomass energy are unaffordable for the majority of the population, making wood from forests the only cheap

source. Investments in improved charcoal production technologies may be seen as a viable venture only if there is adherence to the laws and strengthened law enforcement. The formation of an association of charcoal producers and traders would enhance monitoring and follow-up compliance.

Forest management and the establishment of biofuel plantations

Environmental impacts are not appropriately considered in land allocation for biofuel plantation investments. All companies are not ethical and socially responsible. While a balance between the private sector and public involvement in forestry is sought, a mix of controls and incentives to ensure SFM should be put in place. Also land tenure issues remain a problem for investors who want to establish large forest plantations.

Lack of alignment of procedures

Overly bureaucratic procedures (for donors on the disbursement side and recipients of the donation) result in delays in implementation and underutilization of resources. The lack of common planning of projects, the absence of in-depth scrutiny of existing plans, staff shortages and limited capacity all lead to duplication of efforts and administrative inefficiency.

9. RECOMMENDATIONS

According to the available statistics on forest resources, it is clear that Tanzania has the potential to sustainably manage forest resources and contribute more to socio-economic development and environmental conservation. However, extra measures are required to address the prevailing challenges, including management, utilization and trade measures. These will also improve the national financial capacity to manage these resources more sustainably. The following strategies for increasing forest financing for SFM are recommended.

9.1 Improving revenue generation from forestry

Correct the pricing of forest products and services

Currently, royalty rates are determined arbitrarily, with no real recognition of market value. A concise and practical model for the determination/ setting of forest charges has never been developed. Therefore, TFS needs to establish a model for the determination of royalty rates based on an "economic surplus", which would enable the development of efficient markets and maximize revenue.

Develop computer based networks (MIS) to track revenues

An electronic payment system in key collection centres should be introduced after a thorough cost-benefit analysis. Collection accounts to facilitate a single payment point for customers required to make payment to several entities should also be introduced. The collection account would be applicable to all revenue collection centers regardless of the size of the collection.

Identify and promote new sources of revenue

The Government Notice (GN) 432 of 2011 made under Sections 77 and 78 of the Forest Act (Cap. 323 of 2002) establishes four main sources of fees and royalties, namely from natural forest products (saw logs, poles, firewood, charcoal etc.); forest plantations products; exports; and fees from non-wood forest products. GN 432 of 2011 indicates 73 revenue sources, but effective collection has been accomplished only from 40. The problem is not only the identification of new revenue sources, but also the promotion of already identified sources with potential to generate revenue which are not fully utilized. Regarding revenue from government forest plantations, efforts should be expended towards the regulations on yield, control of allowable cut, and expansion of area under forest plantations to meet wood demand.

Strengthen law enforcement and monitoring

In order to address illegal harvesting and trade and the corresponding revenue loss, more measures are needed to enforce the law and monitor compliance. In this case, TFS needs to improve collaboration with other law enforcing units.

Regulate utilization and trade of forest products

Production of wood products should be regulated to conform to forest management plans. Production should be encouraged through improved technology. Certification standards on wood products including charcoal should be introduced. Wood products transportation compliance should be monitored according to the law. Standard packaging should be adhered to as specified by the controlling authority. Finally, charcoal producers associations and

charcoal markets should be established. This should increase compliance in payment of dues and thus result in increases in revenues.

9.2 Stakeholder involvement

Since large areas of natural forests are not well managed, the scaling up of stakeholder involvement in forest management is vital. To address this, stakeholder participation in the management of natural forests should be encouraged by accelerating land acquisition processes. One way to do this would be to develop forest land banks in collaboration with financial institutions. The process of village land use planning would thus be speeded up. There is a need to i) provide a favourable environment, including legal and regulatory frameworks, for private sector management of forests through concession arrangements; ii) to expedite the process of placing forests on general lands under the management of local governments, villages and private individuals to prevent these forests from being converted to other land uses; iii) introduce natural forest managers/ conservators for management of all types of forests, including woodlands; and iv) promote value addition of forest products and support investments by small and medium enterprises in the wood processing industry.

9.3 Institutional and legal framework

The 1998 National Forest Policy has enabled the participation of other stakeholders in forest management, including local communities. To date, participatory approaches have been widely applied in the management of different forest types. Success has been noted by the extent of forest area now reserved under village management as VLFRs. However, challenges have been faced with issues related to benefit sharing arrangements. It is important that laws be reviewed to include such matters of benefit sharing mechanisms as incentives and to encourage more participation for sustainable forest management. Moreover, laws should clearly define user rights on forest land to provide security on long-term forest investments.

Institutional structures need to build trust amongst stakeholders, and the Government should delegate more responsibilities for forest management to local government, with clear agreements accompanied by financial resources modalities. The parallel administrative set-up requires effective coordination to ensure the sustainable management of forest through reduction of overlaps and efficient utilization of resources.

There is a need to scale up and implement PES mechanisms in order to recover the cost of management. This should entail an increase of PES pilot projects in different identified potential areas. Results from studies and research should be utilized.

The authors of this paper have also identified the importance of making use of global forest-related initiatives to encourage financing for SFM, such as the ongoing REDD projects. The country should continue participating in regional, international and global discussions and forums on environment and forest and benefit from global financing to address the challenges.

Because of the multiple functions and uses of forests resources, active participation of other stakeholders in forest management is inevitable. Enhanced collaboration with stakeholders, including MDAs, is vital. A review of existing and development of a more binding Memorandum of Understanding on SFM should be considered. In addition, there should be increased cooperation and revenue sharing arrangements between public institutions, including the forest sector and other relevant sectors. This is because sectors such as the water sector and utilities (electric companies) collect service charges that are significantly linked to ecosystem services from forests. However, these institutions are not required to mandatorily invest in the management of forest resources.

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Annex 1

Review of FLEG progress in Tanzania

Indicative List of Actions	Some details of known progress to date	Future relevance
National level implementation		
Identify national actions through consultative processes	Some national actions identified,although not through wide consultation to include private sector and civil society	**Medium** – wider private sector consultation required
Integrate those actions within national forest programmes	Revision of NFP is underway and has highlighted the need for more focus on governance issues	**Low** – integration of FLEG appears to be underway
Seek government and stakeholder support for implementation of the Declaration	Generally low awareness by government and other stakeholders of FLEG processes	**Medium** – need for wider awareness of process
Legislation and policy reform		
Consolidate policies and fragmented legislation to improve clarity and promote good governance	Regulations for Forest Act (2002) finalized in 2004, and currently under early stages of revision	**Low** – policy and legislation adequate in main areas
Make information on existing legislation accessible in appropriate forms for stakeholders	Publication of policy, regulations and harvesting procedures, although insufficient dissemination to rural areas	**High** – especially to rural communities
Information		
Review status of information management systems relating to AFLEG	Internal monitoring procedures weak with poor quality data, although recent attempts to improve	**High** – SFM requires quality data and routine evaluation
Establish publicly accessible centralized data bases	Aside from government website, no such data is available publicly	**Low** – priority to improve government data first
Improve access to information through strengthening local, national and regional mechanisms	Information sharing has remained a low priority, especially in absence of accurate forest-related data	**Medium** – transparency of forest revenues needed
Law enforcement and monitoring		
Seek collective responsibility in FLEG at local, national, regional and international levels	Considerable debate (e.g. MNRT, private Sector, media, etc.) has helped to raise profile at many levels	**Low** – severity of situation is well known at most levels
Improve conditions of service for field staff and of enforcement services to ensure FLEG	Ongoing central government strategy to improve working conditions	**High** – low motivation a strong factor undermining governance
Develop monitoring and auditing capacity for forest and legal authorities	Auditing capacity exists although audit reports state capacity gaps do exist	**Medium** – recommends greater priority on expenditure choices
Encourage independent monitoring	Government, development partners and civil society supportive of efforts; IFM feasibility study undertaken	**Medium** – IFM can strengthen government monitoring
Encourage decentralized law enforcement and empower people & local governing bodies for FLEG	Decentralized forest management already underway although FLEG approaches under PFM very challenging	**Medium** – first step is raising rural awareness of the 3 Rs
Capacity building		
Build capacity of government and forest services for SFM, especially FLEG	Considerable training undertaken, although country remains vastly understaffed for SFM	**High** – need more staff and training of police, customs

Indicative List of Actions	Some details of known progress to date	Future relevance
Build capacity of civil society to participate in FLEG	Very little Tanzanian civil society engagement in FLEG process to date, despite potential	**High** – clear potential value in engaging civil society
Forest management practices		
Develop and implement appropriate management plans for all forests	Recent inventories and management plans drawn up for forests in eleven priority districts	**High** – key issue is to follow implementation and evaluation
To ensure accountability and transparency in forest management	Clear gaps in accountability and transparency highlighted in recent logging scandal	**High** – answerability and wider government involvement
Develop participatory forest management practices to enhance FLEG	PFM approaches implemented in many sites across the country	**High** – need to ensure PFM not undermined by FLEG actions
Promote and support alternative livelihood initiatives for poverty alleviation in forest communities	PFM approaches and rural support programmes address livelihood initiatives as a priority	**Medium** – important for FLEG initiatives to have partnerships
Ensure the different perspectives of men and women are taken into account	Gender issues incorporated into PFM initiatives	**Low** – not as high priority compared to other actions
Financing		
Review economic reforms to ensure FLEG capacity is not jeopardized and is integrated in PRSP priorities	PER of environment conducted and revised NSGRP strong on governance	**Low** – good commitment to deliver on MKUKUTA
Seek commitment that a proportion of the gains from improved FLEG are reinvested in the sector	Retention of funds does occur at central and local government levels but PER noted inadequate sharing	**Medium** – needs further dialogue at local levels
Reinforce support for AFLEG actions from development partners	Development partners generating cohesive action on forestry governance issues in general	**Low** – positive momentum is already apparent
Provide better incentives for good governance, SFM and value added processing	Slow implementation of market-based instruments and tools such as certification	**Medium** – requires a long-term plan on increasing incentives
Explore new mechanisms for securing finance for SFM, including for FLEG	Several studies undertaken	**Medium** – remains a priority
Markets and trade		
Develop partnership to strengthen FLEG	Few agreements between trading partners, consumer and Tanzanian enterprises	**Low** – other FLEG issues remain higher priority
Develop regional cooperation agreements to address cross-border trade issues	Tanzania is a member of two regional economic groupings and signatory to various environmental agreements	**Medium** – very similar dynamics in Mozambique
Develop mechanisms to inform financial institutions on FLEG	No information available, but is an important area to explore since illegal logging has major economic implications	**Medium** - further exploration required

(Adapted from Milledge, 2007)

Annex 2

Forest sector budget from 2001 to 2012 and the respective total MNRT budget

SOURCE	ANNUAL BUDGET USD								
	2002	2003	2006	2007	2008	2009	2010	2011	2012
Overall MNRT Budget	**10 874 058.2**	**14 777 377.3**	**26 132 909.5**	**17 292 286.9**	**9 637 076.5**	**-**	**19 845 132.6**	**-**	**22 945 066.9**[4]
Local Financing other charges Forestry									
FBD	2 501 080.6	3 448 414.2	4 738 632.7	4 195 022.8	2 892 634.5	-	3 418 515.5	3 830 517.5	1 142 020.2
Other forest institutions	106 691.2	109 236.9	213 722.5	516 774.3	449 113.5	-	1 938 061.6	1 685 113.8	2 146 464.6
TFS	-	-	-	-	-	-	-	-	-
TOTAL OTHER CHARGES	**2 607 771.9**	**3 557 651.1**	4 952 355.3	4 711 797.1	3 341 748.0	-	5 356 577.0	5 515 631.3	3 288 484.8
Projects Financing Forestry									
Foreign	64 813.4	4 067 148.9	5 577 750.0	5 814 688.3	4 305 241.0	8 423 558.4	8 861 129.2	3 493 396.5	-
Local	-	-	8.2	23.1	49.9	-	1.0	-	-
TOTAL PROJECTS	**64 813.4**	**4 067 148.9**	5 747 370.5	6 168 017.1	4 681 168.5	8 438 400.9	8 874 344.4	3 493 396.5	-

Source: MNRT Annual Budget Speech.
Note: (-) means data not available.

[4]Budget excludes TFS budget.

Annex 3

Coastal forests financing summary, including co-finance

Implementing Agent	Total (USD)
GEF	3 550 500
UNDP	400 000
FBD (In kind)	1 280 000
DCCFF (In kind) - Zanzibar	1 732 000
Rufiji District council (in kind)	204 000
Kilwa District council (in kind)	240 000
Lindi District council (in kind)	216 000
TFCG	400 000
CARE	600 000
Mpingo Conservation Project	400 000
WWF UK	480 000
WWF Finland	347 500
WWF Denmark	40 000
WWF Sweden	800 000
Total	**10 690 000**

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Annex 4

Proposed budget for support provided to NFBKP (2008/09-2010/11)

S/N	Development Programme/ Activities	Budget (USD)			
		2008/2009	2009/2010	2010/2011	Total
DEVELOPMENT PROGRAMME ONE					
1.1	To carry out National Forest Resources Assessment**	-	-	-	-
1.2	To develop, review and implement forest management plans	48 925	53 573	66 048	168 546
1.3	To support PFM interventions in production and protection forests including tree planting in LGAs and Regional Secretariats***				
1.3.1	To strengthen PFM activities in 17 districts	474 683	489 209	516 552	1 480 444
1.3.2	To scale up PFM in 10 districts	503 944	344 580	342 309	1 190 833
1.3.3	To support LGAs' implementation of PFM on the use of appropriate beekeeping technologies (as income generating activities)	211 331	177 791	148 439	537 562
1.3.4	To support LGAs in promotion of tree planting		111 232	95 035	353 386
1.4	Conduct feasibility study on voluntary market forest plantation project		260 100	-	260 100
1.5	To support tree planting in unplanted areas of forest plantations		76 424	42 266	170 710
1.6	To raise awareness of key stakeholders on climate change and carbon trading.		72 913	60 074	194 110
1.7	To rehabilitate degraded forest and mangrove areas	36 674	40 158	47 035	123 867
1.8	To support NGOs in implementing participatory management of forest resources	32 773	52 890	53 097	138 759
1.9	To survey and map village land forest reserves and establish a register of village land forests reserves, titling and certification processes***				
1.9.1	To survey and map village land forests and establish a register of village land forests reserves, titling and certification	33 085	44 989	42 305	92 564
1.9.2	To develop, review and implement 20 village forest management plans	29 781	31 707	27 967	68 786
1.9.3	To establish 4 bee reserves and demarcate 50 beekeeping zones in forest reserves	22 187	30 189	20 281	55 868
1.10	To support implementation of NAFOBEDA at National and District levels	33 813	43 859	51 582	99 388
	Total DP 1	**1 687 457**	**1 829 615**	**1 512 989**	**3 867 789**
DEVELOPMENT PROGRAMME TWO					
2.1	To train staff in long- and short-term technical/professional courses	149 558	134 602	127 353	411 512

S/N	Development Programme/ Activities	Budget (USD)			
		2008/2009	2009/2010	2010/2011	Total
2.2	To establish and operationalize a high- level forum on forestry for executives in the public and private sector	140 454	102 531	120 088	363 074
2.3	To strengthen capacity of FBD training institutions				
2.3.1	To support institution development cooperation of forest and forest industries training institutes	180 249	131 582	153 940	465 771
2.3.2	To strengthen capacity of two FBD training institutions (FTI&FITI) in terms of infrastructure	261 010	261 140	228 014	750 165
2.3.3	To purchase training and office equipment; run and maintain vehicles	56 182	40 823	45 531	142 535
2.4	To promote awareness of forest and beekeeping opportunities and legal rights by scaling up extension services to entrepreneurs and local communities	116 460	85 016	94 333	295 808
2.5	To facilitate sector coordination, monitoring and evaluation processes	234 090	170 886	189 613	594 589
2.6	To prepare a Beekeeping Master Plan and update the Forest Research Master Plan				
2.6.1	To prepare a Beekeeping Master Plan and review Forest Research Master Plan	-	39 624	-	39 624
2.6.2	To carry out applied research in the forest and beekeeping sector and support research cooperation and coordination with neighbouring countries	55 102	52 735	47 078	154 916
2.7	To review the National Forest Programme	95 327	117 201	120 283	332 811
2.8	To internalize MKUKUTA and other National Planning Guiding Frameworks in NFBKP	33 293	46 038	43 177	122 507
2.8	To facilitate participation of FBD staff in regional and International meetings	58 523	42 721	52 670	153 914
	Total DP 2	**1 380 247**	**1 224 898**	**1 222 079**	**3 827 223**
DEVELOPMENT PROGRAMME THREE					
3.1	To carry out law enforcement and good governance				
3.1.1	To carry out law enforcement by supporting 7 terrestrial and 1 marine Forest Surveillance Units	236 873	220 947	216 507	674 327
3.1.2	To facilitate formulation and enforcement of the mechanisms regulating the use of bee resources in forest areas	58 210	56 189	47 838	162 237
3.2	To train licensing officers and Inspectors on inspection and grading techniques	19 508	21 361	17 118	57 987
3.3	To finalize policy review and printing	26 920	30 042		56 962

S/N	Development Programme/ Activities	Budget (USD)			
		2008/2009	2009/2010	2010/2011	Total
				-	
3.4	To review forest and beekeeping regulations	23 279	-	-	23 279
	Total DP 3	**364 790**	**328 539**	**281 463**	**974 792**
DEVELOPMENT PROGRAMME FOUR					
4.1	To support entrepreneurs and local communities to establish woodlots and plantations for production of various forest products and for carbon credits/trade.	130 050	140 454	142 210	412 714
4.2	To improve productivity of small and medium scale sawmills and wood processing and quality assurance	132 651	175 307	138 338	446 296
4.3	To conduct awareness raising on wood and non-wood forest products and markets	-	-	-	-
4.3.1	To conduct awareness raising on non wood forest products and markets	54 829	45 882	42 487	143 198
4.3.2	To facilitate establishment of a functioning market supply chain for bee products and support beekeepers in accessing niche markets (Fair trade)	26 322	21 952	21 473	69 747
4.4	To facilitate training of communities, village governments, VNRC and LGA on PPP opportunities	119 646	120 816	124 341	364 803
4.5	To assess the feasibility of the expansion of commercial plantation forestry in Tanzania, including social risk	-	234 090	130 050	364 140
4.6	To promote and facilitate PPP arrangements and private smallholders' tree planting in their own farms	-	52 020	19 508	71 528
	Total DP 4	**463 498**	**790 522**	**618 406**	**1 872 426**
	Total DP 1 - 4	**3 895 992**	**4 173 574**	**3 634 935**	**11 704 500**

** Separate project already signed.

***Direct allocation for LGAs and Regional secretariats.
*Exchange rate: 1 EURO = 1.3005 USD

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