Briefing

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Scaling up community forest enterprises in Tanzania

Across the globe, locally controlled forestry is gaining momentum, increasingly recognised for improving environmental resource management and bringing socio-economic returns to local communities. In short: it works for both people and forests. Since the 1990s, Tanzania has pioneered locally controlled forestry (also known as African participatory forest management). Supported by donors and NGOs, the government has transferred management of more than 2.5 million hectares of forest and woodland to local communities, restoring forests and improving environmental services. But converting and scaling up this transfer of natural capital into long-term economic benefits for communities remains a challenge. We present three emerging sustainable community forest enterprises that have delivered important social, economic and conservation benefits, and explore options for scaling up these approaches across Tanzania and elsewhere.[1]

Policy pointers

National governments can support scaling up of community forest enterprises by devolving forest management rights and responsibilities and simplifying regulations on harvesting, transport and sale of forest products.

Donors, projects and governments can support effective community forest enterprises at scale through investment in second-level intermediary organisations that broker market linkages and build capacity at community levels.

Donor and government funding to community enterprises should support the development of cost recovery and benefit sharing models, which provide the key to sustainability and future independence from donor funding.

There are two key factors behind the scaling up of community forest enterprises in Tanzania and elsewhere: first, achieving greater market access and market share from sustainable harvesting of forest products; and second, growing the overall share of emerging markets for carbon credits.

Participatory forest management

The concept of 'locally controlled forests' is receiving increasing attention from donor agencies, NGOs and governments. Yet, while some innovative community forestry enterprise models are emerging, these tend to be site-specific, donor-driven and have yet to be scaled up.[2] With increasing finance flowing to global agendas such as climate change, REDD+[3] and landscape restoration, community forestry enterprises offer exciting opportunities for scaling up approaches that support forest recovery and local economic development.

Tanzania has one of Africa's strongest and most devolved frameworks for local governance and community land tenure, based on locally elected Village Councils and Village Assemblies.[4] The 2002 Forest Act drew heavily on these local government constructs and provides the legal basis for communities to own, manage or co-manage forests under a range of conditions.

A key element of this law allows rural communities to establish Village Land Forest Reserves (VLFRs). These reserves permit communities to own and manage forest resources, and grant legal rights to control all revenue from harvesting forest products. To date, approximately 2.5 million hectares (ha) of forests and woodlands have been transferred to VLFR status, delivering significant benefits in terms of reduced deforestation and improvements in forest condition.[5]

However, if locally controlled forests are to be sustainably managed, they must deliver local economic benefits. Until recently, projects promoting community forest enterprises have in general involved low-return enterprises such as honey production.[6] The past five to ten years has seen this change, with an increase in community forest enterprises based on higher-value products in different parts of the country. This shift is a result of targeted support to establish viable and profitable local enterprises based

around sustainable management of forest resources on community lands. We will look at three case studies, each representing a different approach.

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1: sustainable timber harvesting

The Mpingo Conservation & Development Initiative (MCDI), based in south-eastern Tanzania, supports communities to sustainably manage and harvest high-value timber from coastal forests and woodlands.

MCDI's model can be distilled into four parts:

- **Secure rights:** assist villages to secure legal rights over their forests by establishing VLFRs

- **Strengthen local institutions:** establish local forest management bodies through which villages manage and protect their VLFRs from illegal harvesting, encroachment and forest fires

- **Generate benefits:** establish procedures for sustainably harvesting and selling timber to generate income. MCDI has helped some villages to achieve Forest Stewardship Council (FSC) certification to facilitate greater market access and potential price premiums

- **Manage profits:** strengthen local governance of VLFRs to ensure transparent community decision making, including allocation of revenue earned from sustainable timber harvesting.

Since its establishment in 2004, MCDI has supported 38 communities in south-eastern Tanzania to protect over 350,000ha of forest in VLFRs. This work has mostly been supported by international donors and NGOs, but efforts are under way to work towards self-financing from timber sales in partnership with beneficiary villages. Communities have seen increasing revenues from timber sold from their VLFRs since MCDI's work began. The first commercial timber sale from a VLFR was in 2009 and priced at 100 times more per log than was earned before VLFR establishment.

By mid-2017, 18 VLFRs had earned US$626,000 in timber sales. Each village receives its share of income sales and at a village assembly meeting decides how the revenue will be spent. About half of timber revenues are reinvested in forest management, including paying villagers for activities such as forest patrols. The other half is invested in community-selected social services such as primary schools, wells, health clinics and health insurance contributions. 14 villages supported by MCDI are now group-certified by the Forest Stewardship Council, indicating that forests are managed sustainably, in marked contrast to surrounding woodlands, which continue to be degraded through extraction of timber and charcoal.

2: sustainable charcoal production

Since 2012, the Tanzania Forest Conservation Group (TFCG) and the Tanzania Community Forest Network (MJUMITA) have been promoting sustainable charcoal production in community forests in Kilosa, Mvomero and Morogoro Rural Districts. Charcoal is the primary source of urban cooking energy; the market is large and expanding. However, unregulated charcoal production is causing widespread forest degradation — all of the national forest reserves within 100km of Tanzania's two largest cities have been heavily damaged by illegal charcoal production.

When undertaken sustainably, charcoal production can promote sustainable forest management, create local jobs and generate valuable revenue for villages. Charcoal production is non-technical and requires little starting capital — a sustainable charcoal harvesting enterprise can often be set up within one year of establishing a VLFR. The market is local and relatively easy to access. Compared to timber, charcoal harvesting is an easy and effective way to get village activities off the ground while they develop other sources of forest-based revenue.

TFCG and MJUMITA have supported 22 villages to establish VLFRs (covering 109,540ha) and assisted communities to develop sustainable charcoal harvesting enterprises. The main elements of their approach are:

- **Securing rights to forests:** supporting villages to secure legal rights over forests, by establishing VLFRs

- **Strengthening local institutions:** building the capacity and skills of village forest management committees across a range of areas including record keeping, forest management and marketing

- **Building management capacity:** providing technical support to local forest managers on land use planning, woodland management and harvesting, charcoal production and harvesting, and legal requirements for sale and marketing of charcoal

- **Developing market access:** helping community producers access charcoal markets and develop trading links.

Between 2013 and 2017, 13 village councils earned a total of US$203,000 from the sale of 3,150 tonnes of charcoal. In village assembly meetings, communities decide how to spend revenue from sustainable charcoal harvesting.

While some money is retained to cover the costs of forest management, most is spent on improving local health, water and education infrastructure. Overall charcoal prices have increased across Tanzania since 2013, due to declining supplies (caused by local overharvesting) and growing demands. However a nationwide ban on charcoal production by the district governments in 2015 (driven by concerns of overharvesting) resulted in sustainable charcoal enterprises losing revenue. Figures show that, through establishing sustainable charcoal enterprises in VLFRs, participating communities reduced deforestation rates within their villages by 41% since 2014.

3: carbon offsets from avoided deforestation

Carbon Tanzania, a social enterprise based in Arusha, works with community groups to sell 'carbon credits', the revenues from which are used to support local forest protection and management. In its flagship Yaeda Valley project, Carbon Tanzania partnered with another local organisation — the Ujamaa Community Resource Team (UCRT) — who specialise in helping communities to secure land rights and manage their lands and natural resources.

The main elements of their approach are:

- **Securing land and forest rights:** UCRT has been able to secure legally recognised communal land rights for 20,466ha of land occupied by the Hadza, one of the few remaining indigenous hunter-gatherer groups in East Africa, by helping to protect their most significant remaining territory

- **Creating the product:** by combining Carbon Tanzania's expertise in REDD+ project design and development with UCRT's ability to facilitate community-level land and forest management (through mechanisms such as land use plans), the project has created a new marketable forest product (carbon credits) through improved local resource management

- **Developing markets:** working with Plan Vivo, the project has been able to sell verified carbon credits to international buyers. Carbon Tanzania has successfully sold all the project's credits produced to date on the voluntary carbon market, including advance sales through 2020.

Across the project area, the prevailing rate of deforestation caused by external encroachment on indigenous communities' lands has been demonstrably reduced. Since 2012, remote sensing data shows that forests in the core Hadza territory of 20,790ha (the project area) have declined by 9%, compared with over 50% in the wider region (the reference area). Furthermore,

local communities have supported local development priorities. The project helps protect the livelihoods and rights of the Hadza: 60% of revenue sales go directly to the community, 20% supports Carbon Tanzania's operational costs for the Yaeda project and the remaining 20% covers Carbon Tanzania's administrative and programme costs. The sale of carbon offsets generated around US$219,000 in revenue for local communities between 2013 and 2017.

Searching for scale: ways forward

Despite the promising signs these case studies present, all three locally controlled forest enterprise models are relatively limited in scale — both spatially in terms of the number of participating communities and in terms of overall market reach and access. These models need to scale up dramatically if they are to significantly address deforestation in Tanzania and improve management of the millions of hectares of forests on village lands that are currently not within VLFRs.

Barriers to expansion include both market and institutional factors. Sustainable charcoal harvesting has been constrained by district and national authorities, reluctant to support sustainable charcoal production. Illegal harvesting avoids licenses, taxes and other costs, thereby under-cutting sustainable (but more costly) charcoal production from VLFRs.

Markets and enterprise. Set against these constraints, the key to scaling up community forest enterprises in Tanzania is twofold: first, achieving greater market access and market share from sustainable harvesting of forest products (while disincentivising unsustainable competition); and second, growing the overall size of emerging and newer markets for carbon credits.

Improved marketing and business partnerships are an important potential means of increasing market share and improving prices. Strong global marketing relationships have been key to Carbon Tanzania's initial success in marketing and growing their carbon credit sales within a competitive global marketplace.

Sustainable charcoal and timber production have, by contrast, not yet attracted a price premium — or defended themselves effectively from illegal, and therefore cheaper, competition. This price premium was the original impetus for MCDI to obtain FSC certification. However, the price premium for FSC certified hardwoods from VLFRs has never fully materialised and timber harvests in VLFRs where MCDI works continue to be below potential sustainable harvesting rates.

MJUMITA is exploring opportunities for a price premium attached to sustainable charcoal from

VLFRs, as developed with other charcoal products in East African urban areas.

There is more potential added value for community timber enterprises through local manufacturing, links with local artisans, furniture makers, and other trades. Demand for many wood products involving skilled crafts in Tanzania continues to grow, but local production remains limited.

Integration and collaboration. MCDI, MJUMITA and Carbon Tanzania community forest enterprises provide models that governmental and non-governmental partners can use as one pathway to scaling up. Over time, the greatest returns to communities from their forest resources will come from integrating revenue streams from sustainable management of multiple forest resource enterprises in complementary ways. For example, charcoal production could be bundled with sustainable timber harvesting in villages where MCDI works.

There is an immediate opportunity for forestry stakeholders to collaboratively work towards integrating these different models to increase the overall community returns from forest management through a diversified portfolio of enterprises. Networks such as MJUMITA can provide the platform for different organisations and initiatives to share and adapt models to different contexts and thereby help them scale up. External funders can support this process by explicitly targeting resources towards integration of different community forest enterprise models.

New business models. Donor funding and support institutions have been instrumental in two of the case studies (MCDI and TFCG/MJUMITA), while Carbon Tanzania's Yaeda Valley operates as a social enterprise, generating revenue through carbon credit sales and operating through a revenue-sharing agreement made with partner communities. However now that, in all cases, enterprises are generating revenues, they have the potential to cover support costs in terms of ongoing capacity development, marketing and technical support functions. MCDI is already exploring arrangements for cost recovery with participating communities, as communities earn greater revenue from timber sales and can pay for a growing proportion of associated costs. This points to findings from other countries experimenting with similar community-based natural resource enterprises, which have developed effective second and even third tier shareholding associations involved in aggregation, processing, sales and policy advocacy.

Policy and institutions. VLFRs provide a relatively simple, low-cost framework for communities to protect and manage their forests, and enable communities to capture all revenue from harvesting products including timber and charcoal. However, *legal and regulatory uncertainty* is also a significant constraint to community forest enterprises, and to expanding their social and environmental benefits. Initial carbon offset initiatives such as the Yaeda Valley REDD+ project have emerged based on existing natural resource governance institutions, but lack specific regulations around carbon rights related to forests that could provide greater security to project developers and local communities seeking to benefit from carbon offset initiatives.

Additionally, community-based forest management currently receives limited *government investment and incentives*. Support from foreign development agencies has declined steeply over the last decade. Regulatory barriers such as licensing requirements for communities to transport charcoal and timber have been a major risk and constraint for these enterprises — and without any positive incentives to reward good practice.

Tanzanian government policy has an opportunity to build on and support the country's proven and successful models of community-based forest management and enterprise, and to enhance the contribution of VLFRs to forest conservation and to community development. This can be done not only by maintaining the existing policy and legal framework for VLFRs, but also providing additional incentives and support to community forest enterprises.

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Notes

¹ This briefing is based on a study carried out by Maliasili in collaboration with the Africa Biodiversity Collaborative Group, with funding from USAID: Trupin, R, Morgan-Brown, T, Doulton, H and Nelson, F (2018) Making Community Forest Enterprises Deliver for Livelihoods and Conservation in Tanzania. Maliasili and Africa Biodiversity Collaborative Group. / ² Macqueen, D, Bolin, A and Greijmans, M (eds) (2015) Democratising forest business: a compendium of successful locally controlled forest business organisations. IIED, London. https://pubs.iied.org/13581IIED / ³ Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries (REDD+). See: https://redd.unfccc.int / ⁴ Wily, LA and Dewees, P (2001) From Users to Custodians: Changing Relations between People and the State in Forest Management in Tanzania. World Bank Policy Research Working Paper No. 2569. / ⁵ Ministry of Natural Resources and Tourism, Forestry and Beekeeping Division (2008) Participatory Forest Management in Tanzania. Facts and Figures. / ⁶ Blomley, T, Ramadhani, H, Mkwizu, Y and Böhringer, A (2009) Hidden Harvest: Unlocking The Economic Potential of Community Based Forest Management In Tanzania. In: German, LA, Karsenty, A and Tiani, A-M (eds) *Governing Africa's Forests in a Globalized World*. Earthscan, London.