

POLICY BRIEF

Insights into Forestry, Governance and National Development: Illegal Logging in Southern Tanzania

A study authorized by the Ministry of Natural Resources and Tourism, supported by the Tanzania Development Partners Group, and conducted by TRAFFIC East/Southern Africa

Overview

Governance, forestry and national development are interlinked. The immense value of forest resources to the Tanzanian people has now been documented by a new report prepared by TRAFFIC in conjunction with the Ministry of Natural Resources and Tourism, and the Development Partners Group¹. The report describes how current policy and law governing the

Revenue lost by central and district governments due to the under-collection of royalties reached up to 96% of the total amount of potential revenue due.

management of these resources, is systematically being manipulated by domestic and foreign private sector interests in concert with senior Tanzanian and foreign government officials to unsustainably log and deplete Tanzania's forests. The current rate of forest depletion means that the forest resource will not make a significant contribution to the livelihoods of future generations. In this regard, poor forestry governance directly undermines two clusters of the 2005 *National Strategy for Growth and Reduction of Poverty (NSGRP): Growth of the economy and reduction of income poverty*; and, *Governance and accountability*. Current governance shortfalls are not necessarily an accidental artefact of institutional arrangements or capacity constraint. There is increasing evidence for the more damaging forms of forestry-related corruption that selfishly exploit opportunities availed by decentralisation, globalisation and delayed completion of forest sector institutional reforms for the gain of both individuals and organised networks. This situation will ultimately affect the prospects for achieving national economic growth and poverty reduction objectives. There are continuing massive forest revenue-collection shortfalls at every level of government and significant, long-lasting negative effects on the environment. Forest adjacent communities

It has been estimated that nationwide losses of revenue to the Forestry and Beekeeping Division amounted to USD 58 million annually due to the under-collection of natural forest product royalties in the districts. Some District Council budgets would have increased by four times if potential timber revenues were actually collected.

are rapidly loosing potential benefits of high value and sustainable timber harvesting for their economic development.

Tanzania's Forests and Woodlands

Forests and woodlands cover around 40% of the total land area of Tanzania, yet support the livelihoods of 87% of the poor population living in rural areas. Some 16% (and up to 60% seasonally) of households from villages located near forests in southern Tanzania benefited from logging and timber trade during 2005. Over 90% of the energy used in the country is wood fuel derived from the forests. Tanzania's Forests – a key social and economic resource - have continued to degrade at an alarming rate. Around **ten million hectares of forest land were lost between 1970 and 1998**. At the harvest rates experienced during 2003 and 2004, and based on official forest inventories, it is apparent that all harvestable Class I and II trees (i.e. trees that are large enough for timber exports) in Rufiji and Kilwa Districts will have been felled within 20 years. Some key timber tree species will have disappeared well before this time.

The Status of Private-Sector Investment in Harvesting of Forest Products

A well governed and regulated private sector must play a key role in the sustainable management of Tanzania's forests for local and national economic development. There are an increasing number of permanent hardwood sawmills in southern Tanzania (increasing from 11 in 2002 to 15 in late 2004) **but with relatively low capacity to significantly add value** to the high volumes of timber being harvested. Around 35 companies exported hardwood timber products sourced from local natural forests (not including sandalwood). Of note, **the majority of timber exporters have some form of institutional relationship** (e.g. patronage, formal shareholding, board members) **with senior public officials, both Tanzanian and foreign**. Each exporter in turn normally relies on five or more middlemen, with each working through up to ten more middlemen at village level. In reality, just a few companies maintained a strong control over the timber trade, either by their sheer size of operation or through influence.

Legal Compliance & Corruption

A qualitative assessment of legal compliance revealed that there was an increasing trend in illegal activity affecting several serious types of infraction, such as logging without documentation, logging in unauthorised areas, and the use of invalid export documentation. A serious concern was the **chronic nature of petty corruption** whereby even timber trade activities involving legally-harvested timber products were affected by bribery. At central and district government levels, many examples of **self-dealing, nepotism and cronyism** involving timber trade were evident. **Significantly, the two stages of trade showing the highest levels of bribery – hammering and exporting – are the most likely points of intervention when introducing**

¹ Milledge, S., Gelvas, I. & Ahrends A. 2006 *Forestry, Governance and National Development: Lessons Learned from a Logging Boom in Southern Tanzania*. TRAFFIC, MNRT & DPG

restrictions. Without additional measures of scrutiny, corruption at these ‘trade bottlenecks’ can easily undermine the success of such interventions (see below). Those stages of the trade chain that exhibited the **highest relative frequency of bribery were also experiencing increasing trends in bribery**. From the perspective of good governance, of greater concern than bribery have been the apparent **high levels of direct senior government involvement in timber harvesting and trade from southern Tanzania**. Over half of 28 exporting companies studied had some form of institutional linkage with senior Tanzanian or foreign government officials. **The presence of a direct interest in the timber trade by individuals within the Executive and line Ministry presents the greatest concern with respect to ensuring integrity in decision-making, fairness, impartiality, transparency and justice.**

Revenue Collection Shortfalls & Inefficiencies

Rural communities, local traders and central and local government have lost massive potential revenues to wasteful harvesting and processing, non-collection of royalties and under-valuation of forest products. For example, at village level, through mid-2004, local harvesters chronically under-valued hardwood logs **receiving barely one hundredth of the export price** despite the fact that no value-adding had taken place since the logs were obtained. Substantial revenue losses were also apparent prior to and during shipment. For example, the trade **statistics show that in 2004 China imported ten times more timber products from Tanzania than appear on Tanzania’s own export records**. This suggests that Tanzania collected only 10% of the revenue due from these exports.

Government’s Response to the Situation

Tanzania has a **fairly advanced policy and institutional framework** that, if implemented, would lead to far more sustainable and equitable forest management. Over the past ten years, there has been considerable development of key instruments and tools for forest governance, including revised forest and land policy and legislation, participatory land use planning initiatives and various decentralization reforms. In response to growing concerns over levels of lost revenues, forest degradation, governance shortfalls and disenfranchised local communities, the government has started **implementing wide-ranging measures**. Since 2003, there has almost been an annual cycle of introducing periodic bans on harvesting from natural forests. Whilst commendable, the majority of interventions have focussed on relatively ‘quick fixes’ such as regulatory controls and boosting management capacity. The **list of measures has unfortunately fallen short of the response required to fully address some root causes**. In particular, **governance shortfalls, including corruption, are a major limiting factor reducing the**

Currently, responsibilities for forest management lie within the Ministry of Natural Resources and Tourism, and the Prime Minister’s Office – Regional Administration and Local Government.

effectiveness of current measures. Observations of timber transported from southern Tanzania since the most recent lifting of a nationwide harvest ban during the **second half of 2006 again raised the unfortunate spectacle of irregular consignments** (e.g. breaching authorization, especially the mixing of illegal logs) **and collusion** (e.g. preferential treatment, such as allowing nocturnal transport).

Ways Forward

Experience in Tanzania over the past few years indicates how sustainable and equitable timber trade has yet to be realised in the southern part of the country, despite a relatively well-developed policy and legal framework for forest management and the implementation of numerous remedial measures. This policy brief calls for a **higher priority to be allocated to forestry governance and the implementation of a holistic approach, since corruption** – the primary factor affecting governance shortfalls – **is occurring in many forms and at many levels**. A full set of recommendations are presented in the main TRAFFIC-MNRT-DPG report. Amongst the most urgent recommendations include the following:

- Implement standardised reporting and monitoring for timber harvest and trade information;
- Apply greater emphasis on forestry during public income and expenditure reviews;
- Ensure internal disclosure of forestry sector assets by public officials, and leadership messaging to denounce internal involvement and collusion in timber trade;
- Use public notice boards at village and district levels, and publicise clear investment and business guidelines, including criteria, timeframes and roles;
- Undertake targeted campaigns on anti-forest-corruption;
- Consider the outsourcing of forestry revenue collection in a step-wise manner;
- Introduce performance-based incentive schemes for forestry staff;
- Develop, sign and publicise a MoU or circular between Ministry of Natural Resources and Tourism and Prime Minister’s Office – Regional Administration and Local Government to clarify roles and responsibilities, including direct reporting of District Forest Officers to the Head of the Forestry and Beekeeping Division/Tanzania Forest Service;
- Reassess appropriate forest inventory methodologies;
- Initiate community awareness programmes covering options for community participation, timber values, potential benefits, responsibilities, and legal procedures;
- Review the application of national harvest bans to ensure there is no breach of Participatory Forest Management agreements; and
- Establish Tanzania Forest Service roles, responsibilities and lines of reporting in an expedient manner, incorporating inputs from different sectors.