



SEEING THE FOREST FOR THE TREES:

THE FORESTRY DEVELOPMENT TRUST'S WORK TO CATALYSE A COMPETITIVE COMMERCIAL FORESTRY SECTOR IN TANZANIA

WHY FDT WAS ESTABLISHED: BUILDING ON GATSBY'S LEGACY AND LEARNING

The agronomic conditions for forestry in Tanzania's Southern Highlands are some of the best in Africa and there is rising demand for wood products in the country and across East Africa. But in 2014, Tanzania's commercial forestry sector was far from fulfilling its potential. The sector needed:

- renewed investment in research and development (R&D)
- better marketing channels for planting materials
- stronger partnerships between the private and public sectors
- more robust policy and sector governance attuned to commercial actors' needs

Gatsby had been involved in East African forestry since 1997, aiming to transfer clonal technology (namely eucalyptus hybrids) from South Africa to small- and medium-scale commercial tree growers across Tanzania, Kenya and Uganda. The goal was for growers to produce trees that grew faster and with better characteristics for end markets than standard eucalyptus found in East Africa – raising growers' incomes and reducing poverty.

There was some success, especially in Uganda where the sector benefited from a conducive policy environment and performance-based incentives for growers. However, the overall impact was not as expected. Gatsby recognised this and – learning from our differing experiences across the

region as well as global examples – began looking at other models. As a result, in 2014 Gatsby established the Forestry Development Trust (FDT) – an independent, locally-managed institution with a long-term mandate to catalyse change and help the sector achieve its full potential.

FDT'S EVOLUTION

Initial focus: Driving short and long-term productivity gains

In 2014, the clones introduced by Gatsby in 1997 were still the only clonal planting stock available in East Africa. It was clear that if Tanzanian forestry was going to develop into a globally competitive sector there would need to be major investment in tree improvement R&D. FDT developed and began to implement a comprehensive tree improvement strategy for Tanzania, initially commissioning a genetic resource inventory, establishing a flagship 10-hectare demonstration plot at Kisolanza, and developing site-species trials with willing public and private sector partners in the region to test what would grow well where.

While it was right to invest in R&D for long-term sector growth and resilience, its benefits take time to be realised. FDT's second goal was therefore to help growers improve productivity in the short-term. This work focused on providing access to improved seed that was not available locally, with FDT importing and distributing seed to nursery operators on a loan basis. FDT also developed training and demonstration plots to help improve growers' silviculture practices.



“FDT’s work (in trialling research) was an eye-opener – it has really helped this country.”

Mr Edgar Masunga, Managing Director,
TFS Directorate of Tree Seed Production



Moving from doing to facilitating: Building credibility over time

Initial conditions in Tanzania required FDT to engage directly in tree improvement research, seed importation and training tree growers to generate momentum in the sector. For example, FDT initially paid for the preparation, materials, inputs and monitoring of its first species trials. Over time, however, this involved much more cost-sharing with public and private actors as they became increasingly aware of early results and excited about the potential. External experts are now commenting on the value these trials will bring to Tanzania and the wider region; public and private actors eagerly await annual trial results; and three companies are already looking to fast-track best performing species into commercial production.

FDT has also evolved its role in seed distribution. In 2015, FDT identified a seed company called Jambe Agro as a potential tree seed distributor – despite Jambe not previously being involved in forestry. After one successful season with FDT support, Jambe began sourcing, importing, distributing and selling seeds directly without FDT’s financial assistance. Jambe have recently developed ‘One Acre’ packs (small packs without expensive tubes) to fit the needs and budgets of their small grower clients.

This freedom to directly engage, as well as deploy quality independent expertise and resources, has allowed FDT to build a reputation as an honest broker between the public and private sectors, opening up avenues for policy influence and the ability to capitalise on new market opportunities in value addition.

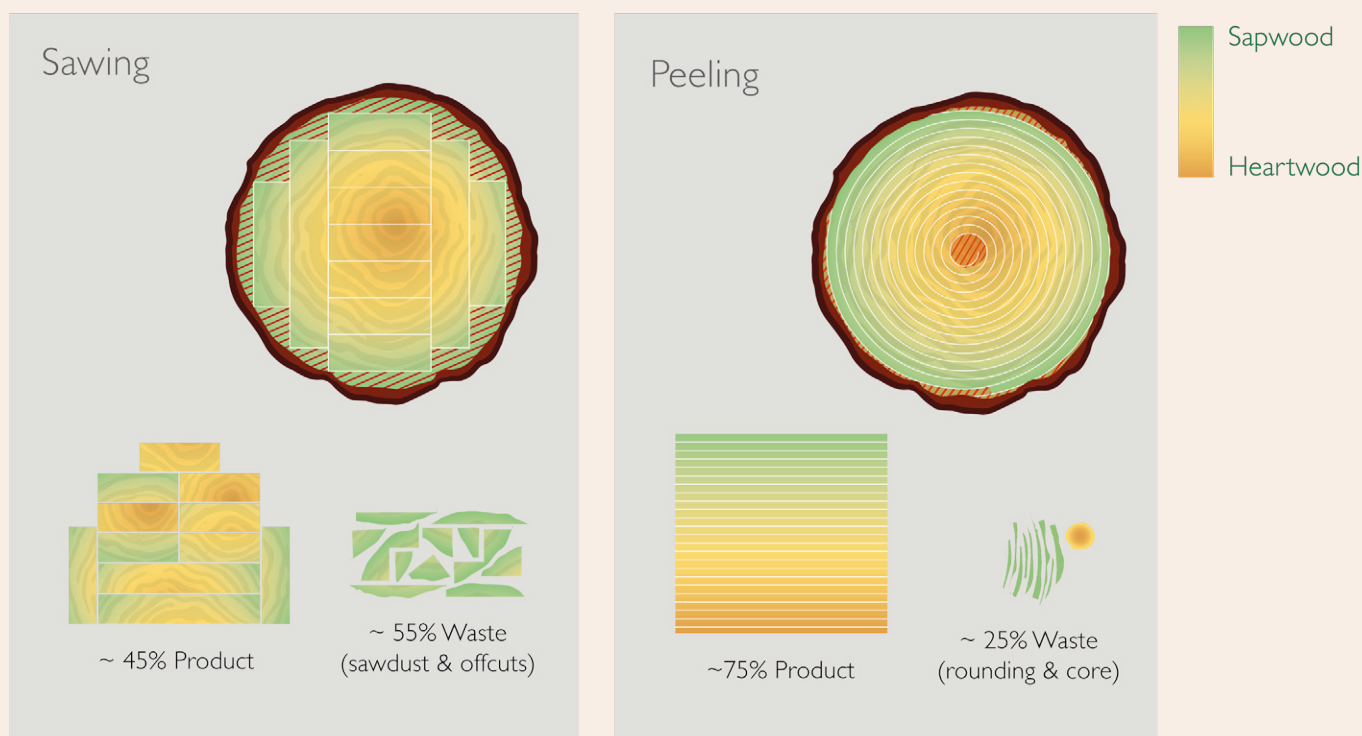
Development of new market opportunities: Industrialisation in action

Stimulated by state-owned and private plantations, small- and medium-scale forestry has expanded in the Southern Highlands to become a major grower segment. However, traditional value chains such as sawn timber and poles require long rotations and high quality standards, which pose constraints on these growers. In Asia, new pro-smallholder value chains have developed due to technology innovations such as spindle-less lathe veneer peelers. They allow for high recovery rates (even with smaller logs) and offer opportunities for further value addition as veneers are turned into engineered wood products (EWPs) such as plywood.

In Tanzania, investors (primarily Chinese) have set up small factories, producing veneer for export and plywood products catering to the national market. To date, however, investments have been standalone, with limited support to build local technical capacity, develop new products or support further investment opportunities.

In 2018, FDT engaged a leading expert in EWPs to visit the Highlands and offer guidance on technology transfer and investment facilitation. He had previously supported similar work in Vietnam and Laos. FDT has also commissioned a feasibility study on EWP value chain opportunities in Tanzania and, as a result, FDT is now strategically positioned as a repository of knowledge on EWPs. FDT will now need to see if the sector responds to these opportunities, or if FDT needs to take a more active role in spurring pioneering investments in these value chains.

SMALL LOG SAWING VS PEELING



“The Ministry is revising the regulation and from now on, a portion of revenue collection by Tanzanian Forestry Service that is kept by Tanzania Forest Fund (TaFF) will be channelled to TAFORI to support research and development. A regulation is being developed, and I have approved it, which requires 3% of TaFF budget to be earmarked for TAFORI research budget.”

Hon. Dr. Hamisi Kigwangalla

Policy engagement and sector coordination: Climbing the ladder of influence

As its reputation in the sector has grown, FDT has become increasingly engaged in the policy space, transitioning from working on a one-to-one basis with industry associations, to building networks of like-minded organisations, to working with strategic influencers in government and the private sector to advocate for policy changes.

For example, in response to the challenge of identifying a long-term strategy for tree breeding in Tanzania, FDT brought together stakeholders to form a Tree Improvement Research Working Group. Although initially sceptical, this group is now chaired by the Tanzania Forestry Research Institute (TAFORI).

In 2018, FDT was invited to become a member of the newly established Forestry Working Group (FWG) of the Tanzania National Business Council (TNBC). The President established TNBC in 2001 to provide a forum for public and private sector dialogue in key sectors. The FWG offers excellent opportunities to engage on issues and propose solutions that can fast-track growth and meet Tanzania's industrialisation ambitions, with FDT strategically placed as an independent broker, evidence provider and influencer.

This is already creating impact. In August 2019, FDT and partners facilitated an exposure visit for the Minister of Natural Resources and Tourism to the Southern Highlands. During the visit he set out key policy directives aimed at supporting sector development, including a 3% levy from public plantations to go back into tree breeding R&D.

CURRENT STATE

Impact to date

FDT is seeing real progress towards its vision of a competitive, inclusive and resilient commercial forestry sector in Tanzania, as evidenced by an expansion of small and medium growers, increased land under production, new value addition opportunities, and an improving balance of trade. It is delivering impact today and, more importantly, is putting in place the fundamental building blocks for the future growth and sustainability of the sector:

- **Short-term productivity gains.** Sales of Jambe's One Acre packs have led to the government-owned Directorate of Tree Seed Production starting to produce similar small seed packs, invest in nurseries, develop national seed standards and revise its overall Strategic Plan. In 2019, adoption of improved planting material by growers reached 53% in areas where FDT operates and increased from 0% to 6% in areas where it does not. In total, 2,500 ha were planted with improved materials this past year. This will have a significant impact on plantation productivity, increase grower incomes and drive increased processing investment.
- **Long-term productivity gains.** The tree improvement R&D infrastructure put in place by FDT has the potential to create a step-change in productivity. Species trials now involve 117 types on 23 sites – the most advanced portfolio in East Africa in terms of species diversity and ecological representation. There is increasing public and private commitment to tree breeding, including willingness to contribute land, labour and finances to develop research trials.
- **Institution building.** FDT has supported significant strengthening of key forestry institutions, including Tanzania Forest Services Agency (TFS), TAFORI, the Directorate of Tree Seed Production, and the Ministry. All are increasingly taking responsibility for the long-term development of the sector – TFS is adopting improved material and practices; TAFORI is re-engaging in research and chairing the Working Group on tree improvement; the Directorate is improving its services to compete with private actors; and the Ministry is prioritising forestry within its industrialisation strategy and taking supportive policy positions.

Lessons learned

- **Visible demonstrations stimulate buy-in but require careful planning to ensure sustainability.** Work in tree improvement tackled a critical constraint, and by delivering the work directly, FDT gained credibility and influence. This has led to challenges, however, in that FDT has developed best-in-class research trials that will require a long-term institutional home in a context of limited capacity.
- **Positioning for influence takes time.** Building trust and respect has required a solid understanding of, and engagement with, political processes, while addressing incentive, capacity and trust issues between different stakeholders. FDT has needed persistence and the patience to wait for windows of opportunity to emerge.
- **Influence is nothing without evidence.** Gaining trust and respect in the sector is only the first step in effecting change. Only by providing compelling demonstrations, evidence and information can stakeholders be influenced to change their activities and behaviour.

Looking forward: What's next for FDT and Tanzania's commercial forestry sector?

The sector is in a period of transition. Domestic demand is rising, driven by demographic and economic growth, and the supply base is transitioning towards small- and medium-scale growers. This creates both opportunities and challenges in terms of upgrading processing technology, increasing competition for quality raw material, and encouraging the innovation and investment needed for higher value-addition.

Enhancing productivity will remain a key focus for FDT, with more and better-quality raw material remaining fundamental to transformation and unlocking investment further down the value chain. There are also opportunities to engage in work on expanding planting (potentially through concessions), diversifying processing technologies and strengthening public-private partnerships in research and concessions.

In the long-term, Tanzania needs to successfully develop the quality of its production base, align its processing infrastructure to its production base, complete more value-adding activities in-country, and continue improving its investment climate. If it does so, it can achieve international competitiveness and supply regional and global markets – with significant economic, social and environmental benefits for the country and its people.

FDT began with a tree improvement programme, seed importation and grower trainings. It then moved to commercial distribution of imported seeds and institutional arrangement for tree breeding going forward.



New opportunities in engineered wood products have now opened, requiring an increased focus on relevant processing technologies such as the spindle-less lathe.



FDT's long-term vision is for Tanzania to turn its wood deficit into a surplus, opening opportunities for regional (and eventually global) exports in markets such as engineered wood products.

