

East & Southern Africa Katoomba Group Inception Workshop
SCOPING STUDY OF FOREST CARBON PROJECT POTENTIAL
IN TANZANIA

Protea Hotel, Oyster Bay, Dar Es Salaam 1-3 March 2009

Sunday 1 March (after lunch):

1.00 – 5.00 Introduction; background to the study; personal introductions and progress on key issues to be discussed; map out the current policy, legal and institutional framework for REDD and carbon finance in Tanzania; introduce Katoomba Incubator; develop criteria for defining high potential ‘domains’; preliminary identification of high potential domains.

Evening Michael, Tom, Hannah to brief late arrivals from Uganda

Monday 2 March

8.00 – 12.30 Personal introductions (Uganda); Development and characterisation of the domains; preliminary selection of higher potential domains (before undertaking the gaps analysis)

12.30 – 1.30 Lunch

1.30 – 5.30 Analysis of policy, legal and institutional gaps for each higher potential domain via analysis of steps in development of carbon credits; extended analysis of land tenure and carbon property rights issues.

Tuesday 3 March

8.00 – 10.30 Discussion of potential legal, institutional and policy options for making progress for each domain, and re-consideration of higher potential REDD or carbon finance options in light of the gaps analysis

11.00 – 12.30 Discussion of potential REDD and other carbon finance projects within each high potential domain

12.30 – 1.30 Lunch

1.30 – 5.30 Develop data collection and analysis plan for in-country team to deepen the analysis of higher potential domains, to firm up legal, policy and institutional analysis, and to investigate potential Incubator projects; agree milestones and reporting timetable; re-cap on main findings and conclusions, and ensure these are agreed and documented; consider need to contact other donors.

Participants:

- Dr Michael Richards: Forest Economist, Forest Trends Consultant, UK
- Tom Blomley: Institutional/Community Forestry Consultant, Consultant, UK
- Dr Robert Otsyina: DASS, Consultant , Tanzania (in-country team leader)
- Juma Mgoo: Policy and Planning Division, Ministry of Natural Resources and Tourism, Tanzania
- Hannah Murray: Coordinator of Forest Trends work on legal and institutional analysis of PES, USA
- Alice Ruhweza: Coordinator of East & Southern Africa Katoomba Group, Uganda
- Dr Sara Namirembe: Regional Manager of Katoomba Incubator, Uganda
- Francis Stolla: land lawyer, Tanzania (Monday only)

Background

Tanzania is strongly placed to develop a national Reduced Emissions from Deforestation and forest Degradation (REDD) programme due to its stable socio-political situation; its confirmed REDD Readiness funding, especially via the Government of Norway, the UN-REDD process and the World Bank Forest Carbon Partnership Facility; its well-established community forestry programme; and high rates of deforestation, especially for *miombo* woodland and coastal forests¹, and degradation (about 500,000 ha are degraded annually²). Apart from global warming, deforestation and degradation have various negative socio-economic and environmental impacts, many of them impacting disproportionately on the poor, e.g., reduced quality of hydrological services; soil erosion; local rainfall impacts; loss of subsistence, construction, fuel and other non-timber forest products; foregone timber income; and loss of biodiversity, which can impact on eco-tourism.

Carbon finance, and especially REDD, provides a unique opportunity for countries like Tanzania in that it provides a market-based economic incentive for forest conservation and management; in the case of Tanzania there is particular potential to generate financial incentives for Participatory Forest Management (PFM), and to realise the associated poverty reduction benefits. This scoping study will provide essential information for identifying carbon finance potential which can then be explored via the 'Katoomba Ecosystem Services Incubator' (Incubator for short). The aim of the Incubator is to act as an 'honest broker' between forest-dependent communities and the PES marketplace; following a careful selection process, the Incubator can provide technical, financial and legal support to help communities access carbon and other PES markets.

¹ According to FBD (2005), this could be as high as 13% per annum for *miombo* woodlands, 7% for Eastern Africa coastal forests, and 2% for mangrove forests. It is estimated that about 91,000 hectares are lost per annum. Although the deforestation rate is lower for the Eastern Arc Mountains (1%), degradation is also a major problem - average carbon loss due to degradation of the Eastern Arc Mountain forest is 223 tons per ha according to recent research data (FBD, 2007), much higher than for other forest types.

² National Forest Programme, 2001

In each country context, it is necessarily to map out potential Incubator project situations, and assess what is needed to develop a successful carbon or PES project. An essential part of this analysis is to assess the legal, policy and institutional framework for project development – what are the current constraints and opportunities, and what is needed to facilitate project development? A project focussed gaps and opportunities analysis will also inform national level analysis of legal, institutional and policy options.

Objectives and Outputs

The main objectives of this scoping study are to develop a set of generic forest carbon project situations or ‘domains’, especially REDD ones, and for each domain, to identify the main legal, institutional and policy constraints (or opportunities) to project development and marketing (of carbon credits).

This will result in the identification of REDD and other forest carbon project situations or domains with higher (or lower) potential in terms of their likely technical and economic viability, and for the more promising domains identification of the main legal, policy and institutional gaps. This analysis will (a) help identify promising Incubator project situations, and (b) generate recommendations in terms of the legal, policy and institutional actions or reforms necessary to stimulate forest carbon finance in Tanzania (although with its ‘bottom-up’ approach it will not consider the full range of issues involving in setting up a national REDD Programme). It will also provide a basic approach or methodology that can be refined and improved in the planned Katoomba Group scoping studies in Uganda and Ghana.

Approach and activities

The study involves three main steps:

- i) Analysis of a broad set of REDD and other forest carbon ‘domains’ (or generic project type situations). This will be based initially on a desk exercise, and a set of criteria to be finalised at the inception workshop, including: land and tree tenure situation; PFM institutional model; level of threat and main drivers of deforestation or degradation; land use opportunity cost; forest type; organisational level; representativeness (and thus potential for going to scale); etc. This exercise will lead into a ‘weeding’ process – some domains will be lower potential on some basic carbon project feasibility criteria (e.g., carbon additionality, opportunity costs, transaction costs) or based on social or equity criteria.
- ii) Assessment of the current legal, policy and institutional frameworks for the higher potential domains, and how these will need to be modified to facilitate project development. The team will consider the main steps in developing and marketing forest carbon credits, and assess likely key legal, policy and institutional issues at each step. This will include, but not be limited to, issues of:
 - o tree, forest and carbon tenure;

- traditional institutions and local by-laws (control of free riding and leakage);
 - farmer or community aggregation potential;
 - structuring of contracts (e.g., flexibility and length of contracts) between communities and investors or buyers;
 - governance, compliance and conflict resolution issues (roles of local and central government, and how to ensure transparency, accountability, etc.);
 - need to modify co-management agreements, e.g., to clarify rights and obligations in light of carbon finance;
 - intermediaries and support services;
 - structuring of financial support;
 - carbon measurement and monitoring responsibilities;
 - capacity building and information needs;
 - institutional arrangements for channelling national REDD payments to communities, and intra-community benefit sharing mechanisms;
 - possible fiscal implications.
- iii) Provisional identification of high potential projects in the higher potential domains, and identification of some key issues for project development.

The inception meeting (1-3 March) will result in a provisional definition of the domains, and identify some likely legal, institutional and policy issues for each domain. This will provide a framework for the in-country team to flesh out the analysis through interviews with a range of project/policy stakeholders and experts.

Outputs

The main output of this scoping study will be a report of 15-25 pages plus annexes to be presented to the REDD Task Force and other key REDD stakeholders, as well as in other appropriate fora. The report will provide a pre-feasibility analysis of the potential for sub-national REDD and other forest carbon options in Tanzania, especially those involving communities; identify key legal, policy and institutional constraints and options for project development; and provide short profiles of some high potential forest carbon projects (for possible support by the Incubator). A short briefing paper for national policy makers will also be produced.