

BIOMASS ENERGY STRATEGY (BEST) IN TANZANIA



**Proceedings of the Stakeholders Workshop on Biomass Energy
Finance and Revenues
“How to Formalise the Informal – Formalising the Commercial
Woody Biomass Sector” held at Colosseum Hotel in Dar es Salaam
19th March 2013**

March 2013

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Executive Summary

Introduction

With ever-increasing urban growth, with accelerating economic development, and their consequent increased demand for energy, Tanzania's forestry resources are under ever-increasing pressures as biomass energy meets that demand in the absence of alternative energy. At the same time, the country's biomass energy resources are increasingly important to the livelihoods of hundreds of thousands of rural farmers, tens of thousands of low-income transporters, tens of thousands of urban charcoal and fuel wood sellers, and to millions of urban Tanzanians, business people, schools, hospitals, prisons and other institutions.

Commercial biomass energy accounts for over 90% of Tanzania's energy needs and accounts for over TZS 1.6 trillion in rural and urban revenues a year, more than all other energy sources combined. Present consumption of biomass energy saves Tanzania over US\$3 billion a year in imported petroleum fuels that would be necessary, if biomass energy resources were not available, to meet urban, business and institutional energy demand. But, this comes at a cost.

The biomass energy sector is almost entirely informal, poorly regulated, unorganised and ad hoc. It is the largest commercial sector in Tanzania that remains informal and, in effect, unregulated. A sector that puts unsustainable pressures on the country's forestry resource yet accounts for the economic livelihood of hundreds of thousands of workers, that accounts for one of the major sources of household, business, industry and government expenditures, operates on a reliable, day-to-day basis.

The Ministry of Energy and Minerals, with the European Union Energy Initiative – Partnership Dialogue Facility (EUEI-PDF) organized a national stakeholder workshops under the Biomass Energy Strategy (BEST) in Tanzania Project to address critical issues on formalising and regularising Tanzania's commercial biomass energy sector. It brought together thirty key stakeholder from 15 Government, civil society, the private sector institutions and the development partner community (Annex 1) at the Colosseum Hotel, Dar es Salaam on 28th March 2013 (see Annex 2, „Workshop Agenda“)

The Commissioner of Energy and Petroleum Affairs (Ministry of Energy and Minerals/MEM), Engineer H. Mbise, opened the workshop and made the first presentation (Annex 3). Dr. F. Kilahama, Chair of the United Nations' Food and Agriculture Organisation's (FAO) Committee on Forestry (COFO), and former Director of Forestry (Forestry and Beekeeping Division, Ministry of Natural Resources and Tourism/MNRT) provided the keynote address. Stephen Rusibamayila, Director of Property and Business Formalization, Office of the President, Property and Business Formalization Programme, made an extensive intervention on lessons learnt from Tanzania's experience of formalizing businesses over the past two decades.

Presentations and Discussion

Professor R. Ishengoma of Sokoine University of Agriculture (SUA) and BEST Team Principal Biomass Energy Expert chaired the workshop. Five presentations were made and discussed (Annex 4, see footnote to access all powerpoint presentations from the internet).

Workshop participants openly discussed and made recommendation on how the sector can be “regularised” and brought into the “formal sector” without major damage to livelihoods, while, bringing increased revenues, improved environment and better economics for the country.

Workshop participants agreed and stressed that policy makers needed to develop a „common understanding and language“ on biomass energy, its importance and role in local and national economies. Participants repeatedly stressed that there were many rules and regulations in the forestry biomass energy sector, but, that there was often lack of consistency in applying those rules and regulations.

It was stressed by a number of participants that the Forestry Act needed to be thoroughly reviewed to gain a detailed, clear picture and framework on forestry policy, in order to form the basis for recommending national energy policy. At the same time, such a thorough review would set the stage for harmonising what are often seen as conflicting policies. It was stressed that local authorities, particularly villages, have many responsibilities, but, few rights, or, few rights that they understand and even less support (e.g., finance, training, management support, etc.) to exercise their rights and meet their responsibilities.

From the Commissioner’s opening address to the conclusions at the end of the of workshop, the term „neglect“ was used over and over by participants to highlight that biomass energy was taken for granted without having local and national frameworks to support the amount of energy, the economic benefit the sector provides.

The group noted consistently that with a sound policy framework, with support and structure provided to local authorities, with harmonised inter-governmental policy, the commercial biomass energy sector needed to be regulated in a „legalised“, „formalised“ way. The importance of the sector should be recognised and supported to ensure that key players received the incentives to carry out activities in a sustainable way.

Participants all agreed that all policy, regulatory, management and other changes needed to be made to ensure that forestry resources were managed sustainably. It was stressed by many participants that the forestry resource was being „mined“ and that forestry resources must be managed.

Incentives and policy need to be in place to encourage and ensure that the forest resource base that is supplying 90% of Tanzania’s energy needs are not „mined“ until there are no more resources, or until the resource base has shrunk to such a point that it is no longer sustainable. Dr. Kilahama and many participants noted that, in many parts of the country, the forestry resource base is no longer sustainable and that if concerted, co-ordinated action was not taken soon, the damage done could not be reversed.

Many participants highlighted that while sustainable biomass energy policies and actions needed to be taken, there should also be attention paid to efficiencies in biomass energy production,

particularly charcoal, biomass energy utilisation (particularly in household, commercial and institutional stoves) and in biomass energy „alternatives“. It was noted that it was crucial for Tanzania to develop a long-term energy mix, where biomass played a major role, but, where other energy sources and technologies were developed and deployed to support local, national economic and social development.

Key Workshop Recommendations

Active group discussions by participants led to a number of key points and recommendations from the workshop. The most often-cited recommendations from the workshop were:

- A national biomass energy policy should be put into place, given the importance of biomass energy in so many aspects, not least in accounting for over 90% of Tanzania’s energy consumption;
- There needs for a thorough review of forestry policy to support biomass energy policy and any actions that might „formalise“ or „legalise“ activities to ensure that forestry production for biomass energy is sustainable;
- Biomass energy policy should figure prominently in the Ministry of Energy and Minerals’ upcoming „National Energy Policy (NEP)“ (update of 2003 NEP);
- Biomass energy should also figure prominently in MKUKUTA (National Poverty Alleviation) strategy and should be recognised by key government agencies such as the Ministry of Finance, TRA, Ministry of Agriculture, among others;
- Sustainable forestry must be practised in order to have a sustainable biomass energy sector, particularly charcoal and commercial fuelwood;
- The Tanzania Forest Service (TFS) needs to receive the financial, technical and training support in order to start with and work with village authorities, with ward, district and other local authorities, to ensure that management plans are in place, that the on-the-ground regulatory framework is in place to ensure that commercial biomass energy is based upon sustainable forestry management;
- Work needs to start at a village level, as this is where biomass energy production starts. When villages are „registered“, they need support and finance to develop and implement their action plans, particularly regarding forestry and other village resource management;
- The woody biomass sector should be „legalised“ as a key step to „legitimise“ and to „formalise“ the sector, particularly charcoal, with registration of all key players in the sector (producers, transporters, sellers);
- Legalising and formalising the commercial biomass energy sector is a way to deliver services, such as training, technology, finance, to improve the sector and make it more profitable and to provide incentives to make it more sustainable.

Annex 1: Workshop Participants

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Annex 2: BEST Finance and Revenue Stakeholders' Workshop Agenda

Morning Session:

09.00 – Registration

09.30 – Welcome and Opening Remarks: Eng. Hosea Mbise, Commissioner of Energy and Petroleum Affairs

10.00 – Introduction by BEST Team, facilitated by Professor R. Ishengoma

10.15 – Introduction by special guest, Dr F Kilahama, former Director of Forests

10.45 - Discussion by workshop participants (facilitated by Prof. Ishengoma)

11.00 – Coffee/tea

11.30 – Presentation on „Critical Success Factors“ for formalising an informal sector activity (Jiten Chandarana, HoneyCare)

12.00 – Biomass Energy – Challenges and Opportunities (Presentation by Prof. Ishengoma)

12.30 – Discussion by workshop participants

13.00 – 14.00 Lunch

Afternoon Session

14.00 – Presentation by Ahadiel Mmbughu, TFC on how informal sector operations are formalised through cooperatives

15.00 – Presentation by Charles Leonard, Manager of TFCG, “Sustainably-Produced Charcoal Project”

15.30 – Discussion and Recommendations on Formalising Biomass Energy in Tanzania - Participants

16.00 – Group Conclusions, Recommendations and Wrap-Up

Annex 3: Eng. Mbise, Commissioner of Energy & Petroleum Affairs - Welcome and Opening Remarks (summary)

BEST Tanzania Finance – Revenue National Stakeholders’ Workshop – Welcome and Introductory Remarks

Engineer H. Mbise, Commissioner of Energy and Petroleum Affairs

The Ministry of Energy and Minerals would like to welcome you to this very important stakeholders’ meeting. This is the first in three stakeholder meetings under the Biomass Energy Strategy (BEST) in Tanzania, supported by the European Union Energy Initiative – Participation Dialogue Facility (EUEI-PDF). The BEST Tanzania project is designed to work with multiple stakeholders to help develop a common understanding of the importance of biomass energy in the country, of its potential role in the future, of the environmental and social issues that surround its current over exploitation (including accelerating deforestation, degradation of watersheds and soils, among others), in order to build a consensus of the best policies, the best actions that should be taken to make biomass energy sustainable and to accelerate its contributions to Tanzania’s national economy and socio-economic development.

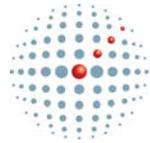
This first of three national stakeholder workshops under the (BEST) Tanzania Project focuses on the finances and revenues that could come from what is now the fastest growing, and from a household, small and medium enterprise, and small industry perspective, the most important energy sector in Tanzania. This workshop is extremely important. It brings together key stakeholder in Government, civil society, the private sector and the development partner community to address critical issues on formalising and regularising Tanzania’s commercial biomass energy sector.

With ever-increasing urban growth, with accelerating economic development, and their consequent increased demand for energy, Tanzania’s forestry resources are under ever-increasing pressures as biomass energy meets that demand in the absence of alternative energy. At the same time, the country’s biomass energy resources are increasingly important to the livelihoods of hundreds of thousands of rural farmers, tens of thousands of low-income transporters, tens of thousands of urban charcoal and fuel wood sellers, and to millions of urban Tanzanians, business people, schools, hospitals, prisons and other institutions.

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The biomass energy sector is almost entirely informal, poorly regulated, unorganised and ad hoc. It is the largest commercial sector in Tanzania that remains informal and, in effect, unregulated. A sector that puts unsustainable pressures on the country’s forestry resource yet accounts for the economic livelihood of hundreds of thousands of workers, that accounts for one of the major sources of household, business, industry and government expenditures, operating on a reliable, day-to-day basis.

We invite you to attend this workshop to participate, openly discuss and recommend how the sector can be “regularised” and brought into the “formal sector” without major damage to livelihoods, on the one hand, while, bringing increased revenues, improved environment and better economics for



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the country, on the other. We welcome your active participation and contributions to this BEST stakeholders' workshop. This will form a critical part of the BEST project and a major contribution to Government's formulation of national energy policy, forestry policy, renewable energy policy, and, hopefully, to Government revenues.

We look forward to your participation.

Annex 4: Powerpoint Presentations from BEST Finance-Revenue Stakeholders Workshop¹

Professor Ishengoma set the stage for discussions with his powerpoint presentation on „Biomass Energy in Tanzania – Challenges and Opportunities“. Ahadiel Mmbughu, Research and Marketing Officer of the Tanzania Federation of Co-operatives (TFC), presented on „Formalisation of Informal Biomass Energy Sector through Co-operatives“, providing examples of formalising informal sector activities through co-operatives, with lessons learnt and examples for the charcoal and commercial fuelwood businesses.

Charles Leonard, Project Manager of the Tanzania Forest Conservation Group’s Swiss Government-supported „Sustainable Charcoal Project (SCP)“, presented on TFCG’s experience with participatory forestry management (PFM) in Tanzania and the framework for sustainably-produced charcoal. He focused on the financial and business aspects of sustainable charcoal.

Jiten Chandarana, Managing Director of Honey Care (Tanzania’s largest exporter of honey), and the BEST Project’s Biomass Energy Marketing Expert, presented on „Critical Success Factors“ for formalising informal sector activities, focusing specifically on forest-based products. Mike Bess presented the framework for BEST, the primary objective of the project and the key outcomes from the project.

¹ To access all PowerPoint presentations on the internet, please make a request to Mike Bess, BEST Team Leader: mike.bess@camcoglobal.com . Mr Bess will send you an internet link to access and download all the Workshop PowerPoint presentations.