

Tanzania Forest Conservation Group and Mtandao wa Jamii wa Usimamizi wa Misitu Tanzania

Tanga Region charcoal value chain survey 2024

Introduction

The Tanzania Forest Conservation Group (TFCG), with European Union support, is implementing the Integrated Forest Biomass Energy Solutions for Tanzania (IFBEST) project. Operating in 13 villages across Tanga Region, the project supports sustainable charcoal and timber production under Tanzania's community-based forest management (CBFM) framework. IFBEST conducted a survey (May–June 2024) with 15 charcoal traders in Kilindi, Handeni, and Pangani districts, focusing on supply chain costs, licensing, and market dynamics. A key challenge for the project is ensuring that CBFM charcoal is price-competitive with other charcoal in the market. Underpayment of royalties on charcoal from non-CBFM areas is common, with less than 5 % of charcoal royalties being collected by Central Government. These risks making CBFM charcoal more expensive as communities are more effective in collecting revenues.

Objective of the study: To analyze the charcoal value chain by examining supply chain costs, licensing requirements, and market dynamics in Kilindi, Handeni, and Pangani.

Methodology: The survey involved a combination of key informant interviews with charcoal traders and consultation with LGA and district staff in the respective districts.

Key Findings

1. Trader Costs

- Fixed costs include Registration fee, District trading license, Village council fee, and TFS application fee.
- Variable costs include bagging, transport, royalties, and miscellaneous fees, varying by market (e.g., Zanzibar, Dar es Salaam, Arusha).
- Profit margin differs in different markets: Zanzibar (TZS 304 per bag), Dar (TZS 9,302) and Arusha (TZS 6,728).

2. Zanzibar Market

- Characterized with low profitability associated with high royalty fees (TZS 12,500 per bag) and other operational costs particularly transport. Traders often bypass fees, through that, are able to make marginal profits.
- Without royalty adjustments, sustainable CBFM models for the Zanzibar trade may not be viable.

3. Dar and Arusha Markets

- These urban markets offer better profitability (12%–14%), still with narrow margins.
- Larger bags are preferred for resale. Poor road conditions in Kilindi district limit Arusha-bound transport options

4. Kilindi Observations

- The charcoal trade in Kilindi is less formalized, with significant reliance on informal and potentially illegal practices. This region presents opportunities for structured CBFM adoption.

Conclusions

The survey reveals systemic challenges in transitioning to sustainable charcoal production. Underpriced charcoal, widespread fee evasion, and narrow profit margins threaten CBFM viability, particularly for the Zanzibar trade. While Dar and Arusha markets appear to be more promising, pervasive corruption undermines profitability.

To improve sustainability, the following interventions need to be adopted:

- Address fee evasion and corruption across the non-CBFM charcoal value chains.
- Allow communities flexibility in setting their charcoal fees. This requires amending Government Notices 417 (2019) and 59 (2022).
- Increase the contribution of forest-based enterprises to the national economy by scaling-up sustainable forest-based enterprises, into more Village Land Forest Reserves (VLFs), and establishing more VLFs.
- Require all charcoal to be sourced sustainably.

For more information, please see:

Key words: Charcoal, Tanzania, corruption, community-based forest management

For more information, please visit: <https://www.tfcg.org/what-we-do/conservation/nguu-and-tanga-coastal-forests/>

