



## TANZANIAN WOOD PRODUCT MARKET STUDY TERMS OF REFERENCE

### I. BACKGROUND

The Forestry Development Trust (FDT) aims to transform the commercial forestry sector in Tanzania by facilitating market system changes that build competitiveness, inclusiveness and resilience into the sector<sup>1</sup>. To date, FDT’s efforts have largely focused on the supply side – including tree improvement research, seed supply, and farmer training on woodlot establishment and management.

However, the success of these investments is dependent upon the strength of wood product markets. As such, in order to strengthen the market focus of FDT’s work, the Trust intends to conduct a range of research on wood product supply and demand, as well specific wood product value chains, in order to identify potential interventions on the market side.

#### I.1. EXISTING MARKET STUDIES

Limited work has been done on analysing wood product markets and value chains in Tanzania. Studies conducted by Indufor (2011) and PFP (2015) provided some interesting and useful insights into future wood supply and demand dynamics, as well as value chain assessments. These studies, however, have their limitations (**Table 1**).

**Table 1:** Existing Tanzania wood product market studies

Study	Strengths	Weaknesses
<b>Indufor (2011)</b> <i>Timber Market Dynamics in Tanzania and Key Export Markets</i>	Brought attention to the expected collapse of supply from government forests by 2017 due to overharvesting and underinvestment in replanting (at the time, government forests made up 79% of industrial roundwood supply). Forecasted aggregate demand of 4.5 million m <sup>3</sup> by 2025, compared to supply of just 1.8 million m <sup>3</sup> .	Government supply model was based upon assumption that harvesting would continue at ~1.2 million m <sup>3</sup> per year until 2016 before collapsing in 2017. In reality, government have gradually restricted supply in recent years, whilst beginning to invest in replanting. These factors need incorporating in an updated forecast.  Limited information on small grower supply – rough estimates were based upon interviews with sawmillers, which would not capture potential future supply from the observed planting boom among small growers (60% of small-scale tree growers had never harvested as of 2014).  Aggregate demand modelling based upon a number of high-level assumptions; limited analysis of likely trends in demand from key end markets.
<b>PFP (2015)</b> <i>Value Chain Analysis of Plantation Wood from Southern Highlands</i>	Strong analysis of government supply from Sao Hill and range of sawmilling SME technologies. Useful data on	Limited information on supply from private plantations. Strong focus on sawn timber, with little information on other wood products. Constraints analysis and recommendations are largely limited to

<sup>1</sup> See **Annex 2** for more details of FDT’s approach to sector transformation and the concepts of inclusiveness, competitiveness and resilience.

	sawn timber prices, transport costs and employment.	sawmillers. Relatively weak economic analysis / forecasting. Price data not coupled with costs and detailed analysis of value addition along the chain, thereby giving an unclear of profitability of different products.
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## ONGOING PIECES OF COMPLIMENTARY RESEARCH AT FDT

As well as the existing studies outlined above, FDT is currently in the process of conducting two pieces of research that will strongly complement the proposed market study:

- **Small grower marketing study** – A study aiming to identify potential interventions that strengthen the integration of small growers and village woodlot supply into value chains. This piece of work does not focus on any specific value chain, but rather seeks to understand how small farmers can become more resilient in the face of changing market opportunities and threats, through, e.g., more efficient and effective woodlot valuation, price negotiation, harvesting and aggregation.
- **Remote sensing pilot studies** – Two pilot studies are currently underway seeking to estimate the areas planted to different commercial species using satellite imagery. If successful, this will support the raw material supply modelling detailed below.

It is expected that the consultant(s) will engage strongly with the FDT teams and other consultants working on the above areas.

## STUDY OBJECTIVES

The aims of the study are as follows:

- To develop an up-to-date understanding of the overall wood product **supply-demand** situation in Tanzania, including the current situation and future outlook, building on Indufor’s work in 2011, and considering demand from linked sectors (such as construction, energy) and international markets;
- To conduct in-depth **value chain analyses** for a number of key products in order to understand the strengths, weaknesses, opportunities and threats in each;
- To build an understanding of the implications of long-term supply-demand forecasts for the value chains of interest;
- To develop a prioritised set of **recommendations for FDT intervention** to strengthen wood product markets and enhance the competitiveness, resilience and inclusiveness of the sector;
- To generate insights that feed into other areas of FDT’s strategy (the relevance of the study to existing programme areas is detailed in **Annex 2**).

The study TORs have been shared with FDT’s advisory panel, comprising a range of public and private Tanzanian forestry stakeholders, in order to ensure sector buy-in to the proposed research.

## 2. STUDY OUTLINE

### GUIDING PRINCIPLES

Broadly, the study should adhere to the following principles:

- A ‘market systems development’ lens, with research geared towards identifying root causes of market system constraints that have the potential to become targets of FDT intervention<sup>2</sup>;
- Consideration of FDT’s wider strategy, generating useful insights in support of the work of intervention managers across the Trust where relevant/appropriate<sup>3</sup>;
- A focus on commercial forestry (including government plantations) rather than natural/indigenous forests;
- Tanzania-wide geographic coverage, albeit with inevitable focus on the Southern Highlands (the centre of commercial forestry in Tanzania), and consideration of international wood products markets where relevant;
- Consideration of all scales of growers and businesses, albeit with a degree of emphasis on the role of small-scale growers;
- A twenty-year time horizon for supply/demand forecasts;
- Emphasis on building upon the market studies carried out to date, and in particular comparing the supply/demand projections with those carried by Indufor in 2011.

### STUDY COMPONENTS

The study will be made up of a number of distinct components but interrelated components as detailed below. Proposed research questions, methods and deliverables for each are presented in subsequent sections. A recommended level of effort weighting is provided for each.

1. **Design phase** (5%) – Elaborating upon the design as set out in the proposal, in collaboration with FDT.
2. **Supply/demand analysis** (30%) – Analysis of current and likely future raw material supply and wood product demand for a comprehensive range of key wood products in Tanzania, taking into account imports, exports and substitute products and materials. The supply side analysis will draw upon existing information held at FDT, and will build on previous market studies by adding a stronger understanding of small-scale supply from private woodlots. Consideration will also be given to the future supply potential of larger private plantations in Tanzania.
3. **Engineered wood product recommendations** (5%) – Engineered wood products (such as plywood, blockboard, MDF, chipboard, etc.) are not currently major value chains in Tanzania, with some products only being produced in small volumes by one or two players, and other known potential wood products not currently being produced in Tanzania at all. Discussions

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<sup>2</sup> See, for example, BEAM Exchange guidance on market analysis for market systems development, available at: <https://beamexchange.org/guidance/analysis/objectives-market-analysis/>

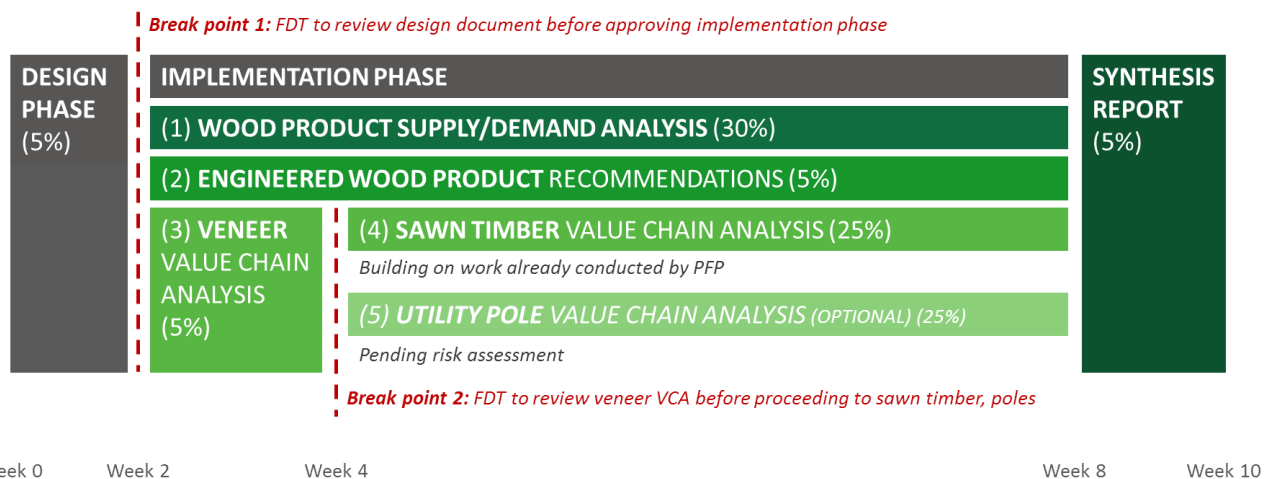
<sup>3</sup> See **Annex 2** for more details on links between this research and other areas of FDT’s work.

with end market users and learnings from regional wood product markets under the supply/demand analysis should serve to highlight the more ‘niche’ wood products which hold potential for the Tanzanian market, and potentially warrant further investigation by FDT as part of a separate study.

4. **Veneer value chain analysis (5%)** – Veneer production is an emerging value chain in Tanzanian forestry, and one which may hold significant potential for small growers. Whilst the value chain requires further scrutiny to complement the supply/demand analysis (above), there are only a handful of players at present, so this is not expected to be a large draw on resources. At present, there are three known SME veneer producers and one large-scale producer (TANWAT) – we have good relationships with the latter and one of the SMEs, which should form the basis of this study.
5. **Sawn timber value chain analysis (25%)** – An in-depth analysis of the primary value chain in Tanzanian forestry, sawn timber, is expected to build upon PFP’s recent work in order to better understand the key constraints along the chain, and the potential for FDT intervention in order to strengthen the inclusiveness, resilience and/or competitiveness of the market.
6. **Utility pole value chain analysis (optional – 25% days)** – Currently threatened by imports and concrete pole substitutes, the eucalyptus utility pole market has one major buyer, TANESCO (Tanzanian state electricity supplier). As TANESCO will necessarily be engaged in the supply/demand study (above), FDT intends to use the opportunity to (a) assess the risk of TANESCO withdrawing from the eucalyptus pole market (as has been seen in Kenya recently), and (b) assess the potential for TANESCO to participate in a collaborative utility poles value chain study. The latter would, in theory, help the main buyer to better understand the value chain constraints, and to advise and pressure suppliers to deliver higher quality produce via a better-coordinated value chain. However, if FDT deems the risks of TANESCO withdrawing from the market to be too great, this value chain study may be dropped.
7. **Synthesis report (5%)** – Final report drawing together the recommendations from each component and advising on overall recommended next steps and intervention areas for FDT.

More details of each of the five components, including suggested research questions, are set out below. **Figure 1** illustrates the combination of components into a single body of work.

**Figure 1: Components of the market study**



A **provisional 10-week timeline** is also shown in **Figure 1** – this should be used as a guide when drafting bids (see bidding guidance section below).

It is expected that the value chain studies will broadly run in parallel to the supply/demand analysis, with the veneer study being fast-tracked early on, ensuring that the greatest value for money is extracted from fieldwork and removing the need for repeated trips to the same locations/stakeholders.

## RESEARCH QUESTIONS

The following table sets out the broad research questions to be answered under each component. Prospective consultants may suggest alternatives in their bids, although this should be

## SUPPLY AND DEMAND ANALYSIS

The FDT team will be able to provide substantial information on the raw material supply side, complementing the existing studies outlined above with the findings of our own household surveys. Demand analysis will require a greater degree of effort in order to estimate demand from various linked industries.

The first step will involve finalisation of a list of priority wood products to analyse, based upon what is currently demanded versus what is likely to be demanded in Tanzania and regionally in future scenarios. So far as possible a comprehensive picture of the various wood products in Tanzania should be drawn up (as well as recognising potential future products for the Tanzanian market) in order to enable a fair comparison with the total raw material base. The products expected to be considered include, but are not restricted to:

- a. Traditional wood products (sawn timber for construction, sawn timber for non-structural application, utility poles, fence posts/small poles, pallets, etc.)
- b. Engineered wood products (plywood, block board, MDF, chipboard, LVL, etc.)
- c. Biomass fuel (industrial fuelwood, industrial charcoal, industrial briquettes/pellets, household biomass fuels)
- d. Pulp and paper

The following supply/demand research questions apply to each product under consideration.

### Demand analysis

1. What are the **industries** demanding these different wood products (e.g. construction and infrastructure, utility, furniture, paper, tea, tobacco, cement, textiles sector)?
2. What is the current scale and nature of **demand**?

*Consider overall quantity of demand per product, the extent to which the market demands and rewards quality, the geography of demand (supply chain 'catchment areas'), product specifications (i.e. different sizes of sawn timber or poles), etc.*

*Consider export market demand (by product and destination).*

3. To what extent do Tanzanian wood products face **competition** from wood product imports and substitute materials (e.g. concrete, steel)?

*What are the main drivers of Tanzanian wood product competitiveness (e.g. cost, quality, supply volume, timeliness, ease of delivery/working, etc.)?*

4. Are there any notable demand **opportunities** (current or future) for wood products either (a) not currently produced in Tanzania or (b) only produced in small quantities at present?

*Consider wood products produced in regional markets (i.e. Kenya, Uganda) – perhaps there are opportunities for growth in engineered wood products with a greater degree of value addition (see below), or wood products that make better use of the increase in small-scale woodlot raw material supply (typically relatively small-diameter/low-quality).*

5. How is **future demand** likely to change in Tanzania (including sub-nationally) and international markets (where relevant)?

*Are the linked industries in (1) expected to grow or contract? To what extent will they continue to depend upon wood products, or will the imports/substitutes considered in (3) play a greater role in future? How will the potential emergence/growth of alternative wood products in (4) affect the overall picture?*

An Excel-based demand model should be constructed in order to model various scenarios relating to the above questions (i.e. the expansion/contraction of linked industries, changes in competitiveness of Tanzanian wood products *vis* imports/substitutes, emergence of markets for new wood products).

### Supply analysis

The following questions should be asked of the overall raw material base, as well as the supply of the specific wood products outlined above.

6. What is the current scale and nature of **supply** of (a) raw material (by species) and (b) specific products?

*Raw material supply should be disaggregated by (a) public sector plantations, (b) industrial private plantations, and (c) non-industrial (small to medium grower) private plantations and woodlots.*

*Consider overall quantity of supply by product, as well as supply by various specifications (i.e. various sawn timber dimensions, pole sizes) and quality (i.e. what proportion of all sawn timber is treated?).*

7. What are the current and projected volumes of wood product **exports** (by product and destination)?
8. What are the current and projected volumes of wood product **imports** (by product and origin)?
9. What are the current and projected volumes of Tanzanian/imported **substitutes** to wood products, by industry and product category?
10. What are the likely **future supply** trajectories for (a) raw material and (b) specific wood products, taking into account the following hypothetical scenarios:

- a. Current situation vs. (a) increased planting by industrial private sector players and/or government on existing land banks, and/or (b) increased planting by small growers.
- b. Current situation vs. assumptions around improved management practices (on public and/or private plantations), including use of improved planting material as well as improved silvicultural practices.
- c. Current situation vs. more efficient processing technologies (i.e. increased utilisation efficiency and higher quality products due to more advanced sawmilling machinery; increased productive utilisation rates of current waste material).
- d. Current situation vs. various rotation lengths (i.e. possibility of changes in government regulations on harvest ages; changes in small-grower short rotations).

As with the demand modelling, an Excel-based supply model should be developed that can be edited and updated by FDT in future.

### Supply-demand modelling

Excel-based modelling should draw together the aforementioned supply-demand models in order to understand likely current and future deficits/surpluses for specific products, whilst also drawing comparisons of aggregate supply-demand with the Indufor (2011) outlook.

## ENGINEERED WOOD PRODUCT RECOMMENDATIONS

Based upon the findings of the supply/demand study, it is expected that preliminary recommendations will be able to be made on the engineered wood products that hold greatest potential for the future Tanzanian forestry sector, and therefore warrant further investigation by FDT (see in particular, question [4] in the above).

Detailed value chain analyses will not be required in these areas at this stage, as many engineered wood products have little or no presence in the Tanzanian market currently.

## VALUE CHAIN ANALYSES

### VENEER / SAWN TIMBER / UTILITY POLES

Value chain analyses (VCA) will be carried out for veneer, sawn timber, and (potentially) utility poles:

- The relatively small **veneer** value chain will serve as a pilot for the VCA approach.
- The **sawn timber** VCA will seek to enrich PFP's work to date, with a stronger emphasis on analysing the key constraints in the chain and opportunity for FDT intervention, along with a stronger focus on the role of small growers.
- The **utility poles** VCA will be dependent upon early engagement with TANESCO during the supply/demand study, and a corresponding decision made by FDT.

Whilst the VCAs differ in the ways outlined above, common VCA principles are expected to be adhered to, as set out below.

The value chain assessment will follow best practice approaches to identify key constraints in the different value chains and their underlying root causes in order to inform the design of interventions that can increase the competitiveness of market actors and enabling development of more inclusive business models. The consultants are expected to follow an approach in line with USAID/ E3's value chain approach<sup>4</sup>, which embody the following features:

- A market systems approach
- A focus on end markets
- Understanding the role of value chain governance
- Recognition of the importance of relationships
- Facilitating changes in firm behaviour
- Transforming relationships
- Targeting leverage points
- Empowering the private sector

The value chain analysis, whilst comprehensively considering the full breadth of the value chain and supporting markets, should have a particular focus on smallholder growers.

### Current status of value chains

1. How are the current **value chains** of the priority wood products functioning in Tanzania, from inputs, through production, processing and demand, and also considering the enabling environment and infrastructure? This will include:
  - a. A sub-national level assessment
  - b. A detailed assessment of the current situation of each stage of the value chain and the underlying causes of the situation, including the key players involved
  - c. Analysis of the key players, including an assessment of their strengths, weaknesses, capacities, and incentives
  - d. Analysis of business models and relationships across the value chain
  - e. Financial analysis of the different actors across the value chain, including analysis of costs, revenues and profits, and in-depth analysis of smallholder grower economics (building upon FDT's work to date on small grower economic modelling)
  - f. Consideration of supporting markets such as finance, land and technology
  - g. Use of FDT knowledge to help provide strategic focus
2. How **competitive** is the value chain compared to import and substitute value chains? What are the critical factors in the value chain that determine competitiveness?
3. What are the key **constraints** in the value chain? What are their underlying **root causes**? To what extent do these constraints negatively impact upon the value chain at present?
4. What is the **direction of travel** of the value chain? Is it improving or deteriorating?

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<sup>4</sup> <https://www.microlinks.org/good-practice-center/value-chain-wiki/overview-value-chain-approach>



*Are new technologies being introduced, have there been new entrants in recent years, are new business models being innovated? In the absence of outside intervention by FDT or others, how would the value chain be likely to develop in the coming years?*

#### **Potential for intervention**

5. What technologies / innovations / business models might help to bring about efficiency gains in the value chain?
6. Based on the analysis of existing constraints and likely development of the value chain, where and how might FDT intervene in order to promote changes in the system that lead to more competitive, resilient and inclusive value chains?

*What are the top **priority** constraints? What is the **feasibility** of FDT intervention? What are the **risks**? What is the likely **impact** of successful intervention (in terms of competitiveness, resilience and/or inclusiveness of value chains)?*

*The potential impact of intervention should be considered in light of the supply-demand analysis above – i.e. can new business models be promoted that would secure the competitiveness of a particular value chain versus imports/substitutes? How would the supply-demand picture for veneer, sawn timber and utility poles in particular change if significant value chain improvements could be realised?*

### **SYNTHESIS REPORT**

The findings and recommendations of the above components should be drawn together into a synthesis report that seeks to make prioritised recommendations for potential FDT interventions and next steps.

- Which value chains/opportunities should become the initial focus of FDT interventions (in light of perceived feasibility, risks, and potential impact on competitiveness, resilience and inclusiveness)?
- Are there specific opportunities for engagement with the Government of Tanzania, particularly with respect to the design of the new national forest policy and programme?
- Are there specific lessons for the design of the Tree Improvement Programme (i.e. supply-demand issues or value chain constraints that could be alleviated through the supply of improved planting material/specific alternative species)?
- Are there specific opportunities to raise the incomes of small-scale tree farmers or promote more inclusive, pro-poor business models?
- What areas should be the target of further research/analysis?

### **3. APPROACH**

The implementation of both of the studies will require a range of different research methods including desk based and in-country field work, and meeting with key sector stakeholders and sector experts as well as working closely with FDT's in-country staff. It is expected that FDT staff will work closely with the consultancy team in order to ensure strong internal learnings and capacity building on economic and

value chain analysis amongst FDT staff. The following table shows the key research methods envisaged (non-exhaustive) for the specific study components.

**Table 2: Research methods**

Component	Section	Research methods
<b>Supply and demand analysis</b>	<i>Demand analysis</i>	<p>Knowledge sharing between FDT and consultants</p> <p>Meetings/ interviews with key demand-side industry players – in Tanzania and potential export countries</p> <p>Appraisal of wood dependent industries in terms of growth potential and changing wood needs</p> <p>Review of regional, national and local statistics of direct wood use as well as key product indicators (e.g. construction of new flooring linked to plywood consumption) – to use a range of sources including government, FAO and ITTO figures, company business plans etc.</p>
	<i>Supply analysis</i>	<p>Meetings/ interviews with key supply-side industry players</p> <p>Review of plantation development literature – to include company business and management plans, reports on public plantations and smallholder woodlots</p> <p>FDT in-house information – including findings from the remote sensing assignment.</p> <p>Modelling of plantation areas to project potential wood volumes and wood quality (age, silviculture and other factors as defined through the demand side analysis), differentiated by industrial, public and private (non-industrial) growers and taking into account different management regimes and current and future processing technologies</p> <p>Review of regional, national and local trade statistics of wood product and non-wood product substitutes – including import and export</p> <p>Methods to obtain trade information not recorded in official trade statistics</p>
	<i>Supply/demand modelling</i>	<p>Modelling to bring together supply and demand analysis and future projections</p>
<b>Engineered wood product recommendations</b>		<p>Review of evidence from supply/demand study, examples of engineered wood product market development in other countries</p>
<b>Value chain analyses</b>	Current status of value chains	<p>FDT in-house information, including integration of smallholder marketing study</p> <p>Literature review of previous Tanzanian value chain studies</p> <p>Meetings/interviews with key forest value chain stakeholders</p>
	Potential for intervention	<p>FDT in-house information, including integration of smallholder marketing study</p> <p>Critical appraisal of examples where efficiency gains have been realised – in Tanzania and beyond (in more developed sectors) – taking into account suitability to local context</p> <p>Reconsideration/modelling of supply and demand scenarios based on potential efficiency gains through FDT intervention</p>
<b>Synthesis report</b>		<p>Comparative prioritisation of recommendations from all other components, consolidated proposal for next steps.</p>

## 4. GUIDANCE TO BIDDERS

### REQUIRED SKILLS AND EXPERIENCE

The consultant(s) will be expected to demonstrate strong credentials in the following areas:

- Knowledge and experience of developing world commercial forestry (specific experience in Tanzanian or East African forestry is desirable)
- Experience in conducting value chain analysis / market analysis for market systems development programmes (see footnotes on market systems development [p3] and the value chain approach [p8], above)
- Expertise in economic modelling

### WAYS OF WORKING

Successful consultant(s) will be expected to work closely with FDT throughout the study, with regular interactions and updates on progress, particularly with the *Markets and Policy* team, and with staff and consultants currently working on parallel studies relating to small grower marketing and remote sensing (see above).

A main contact point person will be assigned by FDT to coordinate the consultants and key FDT staff, as well as to provide advice on technical aspects and direction.

### BUDGET, DELIVERABLES AND PAYMENT

The overall budget for the study (including all components) is **USD \$80,000**.

Any proposed deviations from the advised budget should be clearly justified in proposals in light of the study objectives stated above.

*Note that this budget envelope includes the optional eucalyptus pole value chain analysis, currently weighted at 25% of the assignment – bidders should present resource requirements with and without the utility poles component.*

The contract will be an **output-based contract**, with payment made upon submission of satisfactory deliverables as set out in **Table 3**, below.

**Table 3: Deliverables and output payment weightings**

Component	Deliverable
<i>Design phase</i>	A detailed design document building upon the original proposal, for FDT review before proceeding to the implementation phase.
<i>Supply/demand study</i>	<ul style="list-style-type: none"> <li>• A comprehensive report covering current and future supply/demand dynamics for priority wood products in Tanzania, the region and beyond, over a twenty year period. The report will detail key wood industry sectors/sub-sectors, including the main commercial players and their specific wood needs, and provide estimates of current and projected supply and demand for such wood products, including, as far as possible, differentiation between product specifications. The report will include an assessment of competitiveness of Tanzanian wood products against imports (from key current and potential import countries) and non-wood</li> </ul>

	<p>product substitutes, factoring the findings into the overall supply-demand dynamics.</p> <ul style="list-style-type: none"> <li>• A clear and traceable Excel model containing all data used for estimating supply and demand projections across all wood products and determining competitiveness of wood products, including assumptions and sources.</li> <li>• Field notes and photographs, including a list of all stakeholders met and interviewed.</li> </ul>
<i>Engineered wood products recommendations</i>	<ul style="list-style-type: none"> <li>• A short report offering recommendations on engineered wood products of significant potential to the Tanzanian market, and recommendations for further action / investigation by FDT.</li> </ul>
<i>Veneer value chain study</i>	<p>Three distinct value chain reports, each containing:</p> <ul style="list-style-type: none"> <li>• Detailed value chain assessments for priority wood products in Tanzania, including volumes, price points and profit margins for each actor in the value chain from grower to end user. Business models and relationships between actors should also be scrutinised. Although all actors in the value chain will be assessed, a particular focus should be placed on wood processors and their operating models as well as the range of different tree growers and the opportunities that the different value chains could provide for them. The report will seek to identify key constraints in the chain, along with their root causes, before providing associated recommendations for FDT intervention.</li> </ul>
<i>Sawn timber value chain study</i>	
<i>Utility poles value chain study</i>	<ul style="list-style-type: none"> <li>• A clear and traceable Excel model containing all data used for the value chain assessments, including assumptions and sources.</li> <li>• Field notes and photographs, including a list of all stakeholders met and interviewed</li> </ul>
<i>Synthesis report</i>	<p><b>Synthesis report</b> drawing together prioritised recommendations from all other components, and presenting the recommended next steps and intervention areas for FDT.</p>

## BREAK POINTS

The contract for the overall body of work will include two break points:

1. **End of design phase** – Upon delivery of the design document, FDT will review and approve before proceeding to implementation of the research.
2. **End of veneer value chain study** – Before commencing the sawn timber and (possible) utility poles VC studies, the veneer VC study will serve as something of a “pilot”, it being a much small and simpler VC at present. FDT will review the VC analysis approach and propose adjustments as necessary before proceeding to the more substantive studies.

## PROPOSAL CONTENT AND SUBMISSION

Bids should contain detailed proposals of approach and methodology in response to the above terms of reference. However, elaboration, revisions and modifications to the methodology and approach are expected to be made in collaboration with the FDT team during the design phase of the contract.

Bids should also contain details of proposed team composition, including detailed credentials of individuals involved, and proposed level of effort by each team member.

A workplan should indicate the proposed timing of the research, as well as an indicative date by which the team could mobilise.

Proposals should be submitted as Microsoft Word documents to [info@forestry-trust.org](mailto:info@forestry-trust.org) with the subject line “**FDT market study proposal**”.

Proposals should be submitted to FDT by **midnight on Friday 24<sup>th</sup> June 2016**.

## PROPOSAL REVIEW AND AWARD OF CONTRACT

Proposals will be reviewed by the FDT procurement committee during the week of **June 27<sup>th</sup> 2016**.

Proposals will be judged on the following criteria:

- Overall strength of proposed methodology (40%)
- Strength of relevant forestry expertise (25%)
- Strength of relevant analytical expertise (25%)
- Value for money (10%)

Pending negotiations, successful bidders would ideally mobilise during **July 2016**.

## QUERIES

Any queries regarding the terms of reference should be directed to [info@forestry-trust.org](mailto:info@forestry-trust.org) with the subject line “**FDT market study query**”.

# ANNEX I: SECTOR TRANSFORMATION

FDT's *sector transformation approach* is built upon the three pillars of competitiveness, resilience and inclusiveness. FDT's primary objective is to raise the incomes of smallholder farmers and reduce poverty through small-scale commercial forestry. However, we also recognise that this cannot be done without considering the broader competitiveness and resilience of the commercial forestry sector as a whole – including the full range of market actors and supporting sectors. More details of the three core concepts are presented below.

## COMPETITIVENESS

**Ensuring Tanzania's commercial forestry sector can deliver products to market competitively versus alternatives (imports & product substitutes)**

### Factors that can support competitiveness of sector

- Transport and infrastructure
- Productivity and quality of plantation resources (skills, input quality, technology)
- Enabling policy environment (competitive & transparent markets)
- Standards (nursery, plantation development, product)
- Efficient processing technologies
- Effective support services

## RESILIENCE

**The ability of the sector at large, and actors within it, to adapt to shocks and maintain competitiveness**

### Factors that can support a resilient sector

- Effective R&D and information dissemination functions (P&D; markets; tree improvement; value addition technologies)
- Diversity of value chains
- Effective and stable institutional arrangements for sector governance and planning
- Environmental and social safeguards
- Inclusive and evidence-based decision-making

## INCLUSIVENESS

**Ensuring as many actors as possible, and particularly the poor, share in the benefits of a growing commercial forestry sector (livelihoods, job creation, access to products and services)**

### Factors that can support an inclusive sector

- Access to land
- Access to services (information, advice, inputs)
- Access to markets (pricing mechanisms)

- Business operating model (demand for third party supply, demand for local service providers, direct employment)
- Strong SME sector + local ownership of businesses
- Value addition of short rotation timber

## ANNEX 2: LINKS TO WIDER FDT STRATEGY

The following table details the links between this study and FDT’s wider strategy.

Strategy area	Relevance
Industry coordination	<p>Developing interventions to strengthen industry coordination and more competitive, resilient and inclusive value chains is central to FDT’s latest strategy.</p> <p>Sawn timber is the primary value chain in Tanzanian forestry. Whilst PFP’s recent study (above) shed light on various aspects of the market, more work is needed to enrich this work with more detailed analysis of the constraints faced and the opportunity for FDT intervention.</p> <p>With the Tanzanian eucalyptus utility pole market under threat from imports and concrete substitutes, this value chain is a priority focus of FDT’s work on industry coordination. The proposed study will seek to engage the main utility pole buyer, TANESCO, in a detailed study in order to seek potential interventions to strengthen the value chain and increase the long-term competitiveness and resilience of the Tanzanian eucalyptus pole market.</p>
Sector policy and planning	<p>FDT’s <i>Markets and Policy</i> team is seeking to generate information in order to promote improved evidence-based decision making by sector actors, and to work with government in order to strengthen the policy environment of Tanzanian forestry.</p> <p>With a new national forest policy forthcoming, and a corresponding national forest programme to be developed thereafter, robust market analysis and forecasting should help to inform decision making and policy design going forward.</p> <p>Whilst the Indufor (2011) study drew attention to an anticipated government supply collapse and an associated major supply deficit in future, the original work requires updating and enriching in order to provide stronger market insight upon which to base decisions today.</p>
Tree improvement programme	<p>FDT is currently working to facilitate the establishment of a long-term Tree Improvement Programme (TIP) for Tanzania, importing and developing improved varieties for commercial distribution via the nursery network in order to strengthen the genetic quality and diversity of the country’s planting stock.</p> <p>Long-term market insight is vital to help guide species selection under the TIP. FDT’s <i>Genetic Resources</i> team, and potentially members of the Tanzania-wide Tree Improvement Research Working Group (TIRWG – a public/private stakeholder grouping tasked with the development of the TIP), will have input into the design of the study in order to ensure that it adequately meets their needs.</p>
Small grower marketing	<p>A parallel study looking at the marketing challenges faced specifically by small growers is currently underway. This work will seek to identify potential interventions to strengthen small grower integration in <i>any</i> value chain over the long run – i.e. the ways in which farmers access information on market opportunities and prices, as well as issues of woodlot valuation, harvest, aggregation and so forth.</p> <p>Equipping farmers with such skills and information should increase their resilience as integrated market actors in the long run – however, the proposed market study may highlight specific value chain opportunities in the short-to-medium-term</p>
Nurseries and contractors	<p>FDT’s <i>Tree Grower Services</i> team is currently working to support the development of nursery and contractor services. As key actors in enabling access and use of improved planting material in an inclusive manner, value chain assessments will need to look at these key actors in terms of opportunities to enhance competitiveness. The</p>



	supply/demand analysis should also help to inform the extent of the market for improved seeds in Tanzania, an issue currently under investigation by FDT's <i>Tree Grower Services</i> team.
Outgrower schemes	The <i>Tree Grower Services</i> team at FDT are currently scoping potential intervention opportunities around the establishment of outgrower schemes with industrial processors. Value chain assessments should consider the potential role of these schemes in addressing constraints to raw material supply and competitiveness, in collaboration with the wider FDT team. The study could also inform partner selection to help ensure farmers are linked with outgrower schemes with longer-term market certainty.
Spatial information	FDT is currently piloting two approaches to remote sensing of forest resources using satellite imagery, which will hopefully lead to the development of stronger spatial forestry information for the sector. Information arising from these pilots should help to inform the supply analysis conducted under the market study, whilst value chain analysis can be coupled with the remote sensing tools to better understand local opportunities for value chain development based upon resource availability.