



FOREST FINANCE



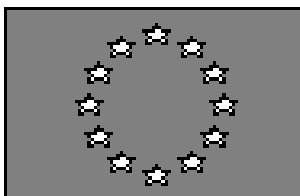
*The forest revenue system and government
expenditure on forestry in Zimbabwe*

A paper prepared for the FAO work-programme component
on financing sustainable forest management

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THE FOREST REVENUE SYSTEM AND GOVERNMENT EXPENDITURE ON FORESTRY IN ZIMBABWE

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INFORMATION NOTE ON THE FAO PROGRAMME ON FOREST FINANCE

It is generally accepted that financial considerations represent one of the most important factors that can have an impact on the implementation of sustainable forest management. With this in mind, the FAO Forestry Department has implemented a programme of work on forest finance, to examine how government policies (in forestry and other sectors) affect financing in the forestry sector and the consequences of such policies for sustainable forest management.

One of the most important ways in which governments can have an impact on financing in the forestry sector is through the fiscal policies that they implement within the sector. Where forests are owned or managed by the state, the way in which charges for the use of forest resources are determined and implemented can have a major impact on the scale and types of investment in the sector. A vast literature has developed over the last 30 years examining this topic. Other fiscal policies, such as taxes and subsidies both within and outside the sector, can also have a significant impact on the forestry sector.

The purpose of this work will be to review the impact of current fiscal policies on sustainable forest management, along with other related policies, such as land tenure, which have an impact on forest financing. However, the work will attempt to go beyond simple financial analyses of current policies (which have largely been done before) to examine the broader social, institutional and political aspects of policy reform. It is hoped that this work will assist forestry administrations to identify practical ways in which they can revise their fiscal policies, so that they can more easily pursue the goal of sustainable forest management.

This work has been funded through the FAO Regular Programme and the EC Tropical Forestry Budget Line (FAO-EC Partnership Project on Sustainable Forest Management in African ACP Countries). A large part of the work has been produced by national consultants and institutions, with the supervision and assistance of FAO.

Working papers are being produced and issued as they arrive. Some effort at uniformity of presentation is being attempted, but the contents are only minimally edited for style or clarity. FAO welcomes from readers any information that they feel would be useful for this work. Such material can be mailed to the contacts given below, from whom further copies of these working papers, as well as more information about this programme of work, can be obtained:

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EXECUTIVE SUMMARY

This paper attempts to analyse the various forms of revenue generations that are available to the Forestry Commission (Forestry Commission) of Zimbabwe and ultimately discusses how these revenue sources can be enhanced in order to ensure sustainable forest management in Zimbabwe. An attempt is also made to highlight further measures that could be instituted to further enhance revenue generation.

The Introduction (Section 1) merely serves to put the Forestry Commission, as currently constituted in context. The section traces the Commission from its inception in 1954, various measures that have been taken to restructure the organisation to the current dispensation where the State Activities wing is responsible for the regulatory functions of forestry as well as overall forest management in Zimbabwe whilst the Commercial wing will be repackaged with a view to privatising it.

Section 2 divides the various sources of revenue generation into two categories ie, wood products and non wood products. The wood products category is made up of revenue generation centres as follows:

1. Timber harvesting from demarcated forests
2. Indigenous Resources Timber concessions
3. Seed from research and Development and
4. Supervision of Wood Concessions in Rural District Councils (RDCs).

The non wood category revenue centres are the following:

1. Sale of animals to Ngamo Safaris
2. Sale of animals to other operators
3. Safari leases to Ngamo Safaris
4. Safari leases to other operators
5. Grazing fees
6. Maps
7. Processed products

The section attempts to analyse the various revenue centres and how they contribute to the revenue generation capacity of the Forestry Commission.

Section 3 analyses other forms of revenue generation ie, Government grant financing as well as Donor funding.

Section 4 discusses the patterns of expenditure in the Forestry Commission whilst Section 5 discusses how the various revenue centres analysed can be enhanced in order to ensure sustainable forest management in Zimbabwe.

The paper also includes various tables and figures in order to facilitate easier appreciation of the performance of the various revenue centres.

LIST OF ABBREVIATIONS USED

Rural District Councils	RDCs
Department of National Parks and Wildlife Management	DNPWD
Forestry Commission	FC

1 INTRODUCTION

1.1 Support for sustainable forest management in Zimbabwe

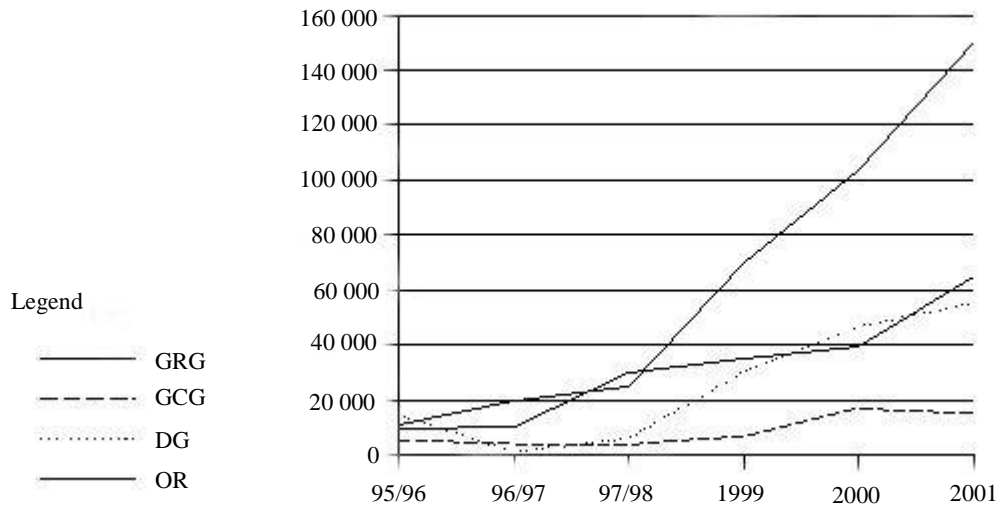
This report highlights the current situation in Zimbabwe with respect to flows of money from the forestry sector, the donor community and Government into the coffers of the Forestry Commission, which is the Government's body charged with the task of ensuring that the Forestry estate in Zimbabwe is sustainably managed and utilised.

The Zimbabwe Forestry Commission operates two wings namely State Activities and Commercial Activities. The former performs regulatory and service functions on behalf of government while the Commercial Activities wing operates a forest enterprise. The Commercial wing is responsible for developing and managing some 115 000 ha of exotic plantation forest area of which 45 000 ha is planted to pines and eucalyptus on seven estates. The wing owns sawmills that have a timber processing capacity of 300 000 m³ per year and owns two value adding factories. It is self financing (from its commercial operations) but does not subsidise the activities of the State Activities wing. When the wing makes an annual profit, Government insists on a dividend being paid to it. The ownership of this commercial entity has made the Forestry Commission to be perceived as having an unfair advantage by being both a referee and player in the forestry sector. To address this anomaly the Commercial Activities wing has been registered into the Forestry Company of Zimbabwe under the Companies Act. The company will be wholly owned by the Forestry Commission for one year (commercialisation phase) before its eventual privatisation. This paper therefore, focuses on the State Activities wing of the Forestry Commission which is in fact the State Forest Authority.

The State Activities wing of the Zimbabwe Forestry Commission, since its inception in 1954, has been discharging its duties quite effectively. Its successes are evident in many areas which include estate stewardship of the country's demarcated forests, a very vibrant extension service, high quality forestry research and the provision of training not only for Zimbabweans but to the Southern African region as a whole.

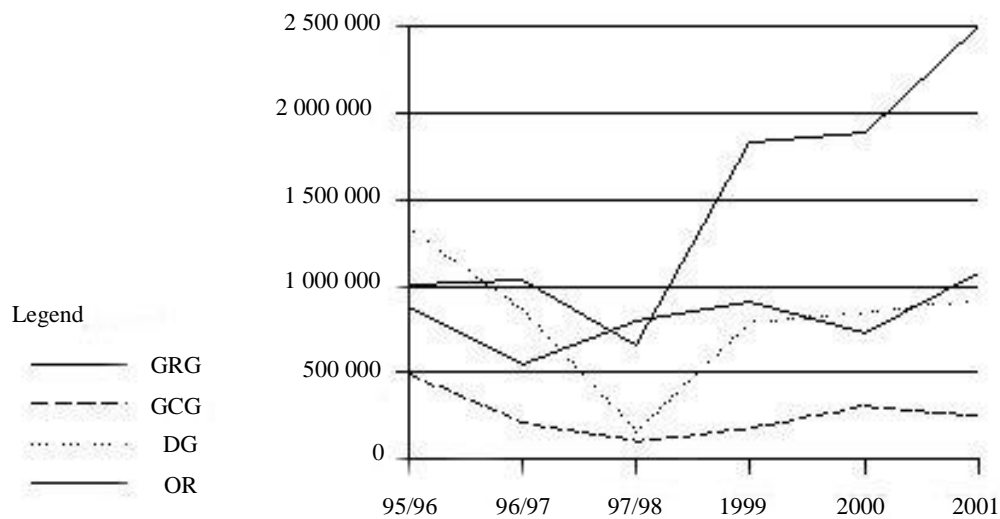
The sources of funding for the work of the Forestry Commission are basically three fold and the contribution to total funding of these three sources have varied over the past 5 years as illustrated by Figure 1, but on average it would appear the Government contributes about 31,8%, Forestry Commission's own resources about 42.96% and donor funding about 25.24%. Government funding is expected to fall below these levels in the short to medium term in both relative and real terms as overall Government expenditure in line with the current Government thinking that its institutions should re-engineer themselves to raise more of their own revenue. Figure 2 shows the nature of all funding to the Forestry Commission in US\$ terms.

Figure 1 Funding Sources for 6 years in Zim\$



Key
 GRG Government Recurrent Grant
 GCG Government Capital Grant
 DG Donor Grant
 OR Own Resources

Figure 2 Funding Sources for 6 years in US\$



Key
 GRG Government Recurrent Grant
 GCG Government Capital Grant
 DG Donor Grant
 OR Own Resources

It is important to note that the Forestry Commission is a parastatal and is regulated through the parent Ministry of Environment and Tourism and the Ministry of Finance. The revenue that is generated by the Forestry Commission is kept in the Commission and does not go to Central Government. It is ploughed back into funding activities of the Commission as per budget approval by Central Government. Government keeps track of expenditure in the Commission through the budget which is approved by the Ministry of Finance. Prior to the beginning of any fiscal year the Commission is required to prepare a budget for the incoming year specifying all activities that need to be undertaken and at what cost. This budget will highlight all the possible areas of revenue generation (ie; own revenue and donor funds) and how much Government needs to contribute in order to satisfy expenditure envisaged. Once Government has approved this budget it will have committed itself to funding their portion of the budget. Money is then appropriated from Central Government budget to cater for its contribution into the Commission budget. In the event that there is a deficit, government will appropriate further monies into the Commission as a supplementary budget.

It is very important, therefore, to examine all the areas of revenue generation available to the State Activities wing of the Forestry Commission in order to ensure that all areas that warrant a charge as contribution to forestry management are taken advantage of and all areas that are currently being charged contribute as efficiently and effectively as possible.

This paper examines the current sources of funding and the manner in which collection is effected. It scrutinises the effectiveness or otherwise of the collection system. Finally the paper analyses the various methods of collection, draws conclusions and makes recommendations on future action in terms of enhancing the revenue generation capacity of the Forestry Commission.

The Forestry Commission comprises two wings: the State Activities wing and a Commercial wing that operates commercial forests. Clearly in terms of the sustainable management of Zimbabwe's forestry estate, it is the State Activities wing that is relevant. This paper will therefore, confine itself to funding sources associated with the State Activities wing.

2 DESCRIPTION OF THE FOREST REVENUE SYSTEM

2.1 Forestry Commission’s own sources of revenue generation

The Forestry Commission, as alluded to earlier, generates an average of about 42.96% of the total revenue it requires for its operations and indications are that, potentially, it can generate a lot more than it is currently generating. The Commission is, in fact, currently engaged in an exercise to examine such areas as well as to restructure itself in order to be more effective.

The areas through which the Commission generates its own revenue are highlighted in Figure 3. They are basically split into three categories viz: 1) Wood products from the forests, 2) Non wood products from the forests and, 3) Processed products. Figure 4 shows the same kind of information in US dollar terms.

Figure 3 Revenue generation in Zim\$

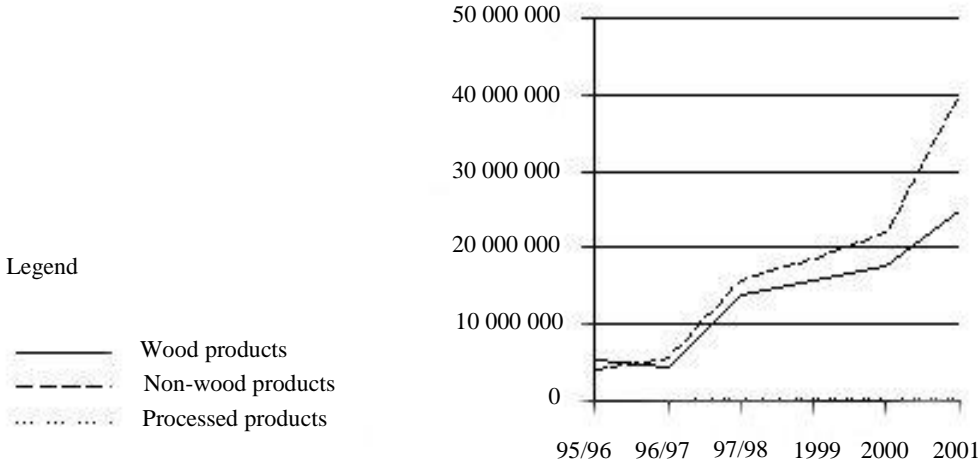
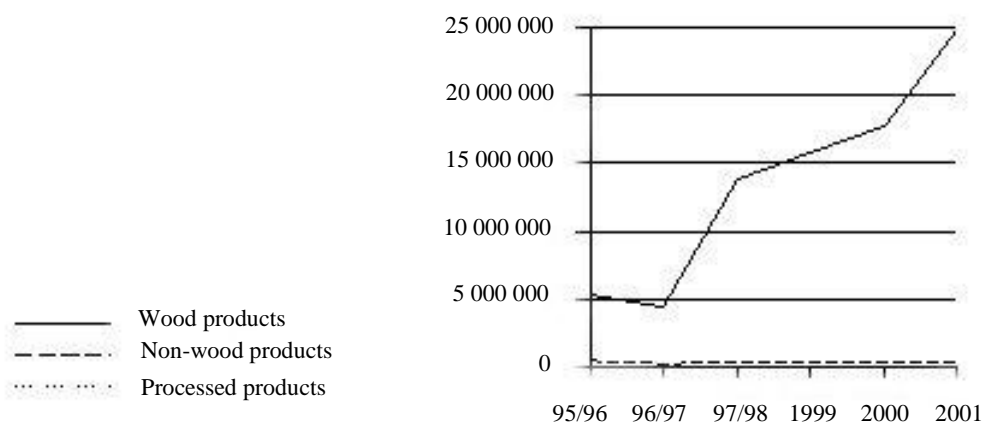


Figure 4 *Revenue generation in US\$*

2.2 *Wood products from forests*

Sixty-six percent of Zimbabwe's land area is under various forest types, twenty seven percent under cultivation and the balance of Zimbabwe's land mass is taken by human settlements and water bodies. The heaviest concentration of forests occurs in the gazetted state forests, national park areas, the eastern highlands and large scale commercial farms. Most of these would be indigenous woodlands. Table 1, shows the areas under various land use systems in Zimbabwe, might assist in highlighting the extent of forest cover in Zimbabwe. Exotic plantations occupy about 156 000 hectares of which over 90% is in the eastern districts of Zimbabwe.

Table 1 *Forest cover in Zimbabwe*

Land use	Area (000 ha)	% of total
Natural forests	11.5	0.03
Plantations	155.8	0.40
Indigenous woodlands	25,771.4	65.92
Grasslands	1,893.9	4.85
Cultivated land	10,738.1	27.47
Settlements	139.1	0.36
Other	379.4	0.97

The only forests that Government accrues tax from are the plantations. Half of the plantations currently planted are owned by the private sector and the other half by the Commercial wing of the Forestry Commission. Activities undertaken by the privately owned plantations are similar to those undertaken by the Commercial wing of the Commission and they all pay corporate tax which accrues to the fiscus. In addition, the plantation industry through its Association called the Timber Producers Federation, has been making a voluntary cash contribution of about US\$2 500 per year to the State Activities wing for plantation forestry research.

The revenue that accrues to the State activities wing of the Commission however, largely comes from demarcated forests and their activities with respect to supervision of forest areas in Rural District Councils.

There are three main areas through which the Forestry Commission accrues revenue from this category viz; timber harvesting, seed production and supervision of wood concessions. The Commission gets about 45.8% of internally generated revenue from this category. This revenue is used to pay wages and salaries and to meet operational costs.

2.2.1 Timber harvesting in demarcated forests

The Forestry Commission is in charge of a number of gazetted forests. Periodically, inventories are conducted to establish the viability or otherwise of harvesting from these forests. Once viability is established, the Commission calls for tenders to ensure that harvesting is done in as efficient a manner as possible. The company that wins the tender then proceeds to harvest the timber and pays the Commission market based prices on harvested logs.

The tendering process takes the form of the Commission first advertising in the local press for sealed-bids for the harvesting of timber in any demarcated forest. The conditions pertaining to these bids are specified including the production of a logging plan for the harvest and the prices to be paid for the timber harvested. Once all the bids have been received they are opened in public and a tender committee constituted by the Forestry Commission evaluates the tenders. Recommendations of which tender to accept are passed on to the Board via the General Manager for approval. Once a company has won a tender it is then required to carry an environmental impact assessment and to carry out harvest as per the logging plan that they produced and this exercise is monitored by Forestry Commission officers on site. Occasionally, when it is felt that the prices initially presented in the tender are no longer in keeping with prices on the market, negotiations do occur with the winning company to adjust them accordingly. Table 2 shows the volumes and prices realised in three concessions for the period 1998 to 2000. The Commission generates an average of 56% of all the revenue accrued from Wood products from this source.

Table 2 *Indigenous resources timber concessions*

Concessionaire	Monthly volume	Price Teak Z\$m3	Wet Mukwa	Dry Mukwa	Other
ZBS					
1998	400 m3	350.00	700.00	150.00	350.00
1999		450.00	900.00	350.00	350.00
June 1999		750.00	1,200.00	350.00	750.00
Stopped July 00		750.00	1,200.00	350.00	750.00
Wilgro Sawmills					
1998	420 m3	450.00	900.00	350.00	350.00
June 1999		750.00	1,200.00	350.00	750.00
July 2000		1,200.00	2,000.00	600.00	2,000.00
2001		1,200.00	2,000.00	600.00	2,000.00
Bapedi Timbers					
1998	400 m3	450.00	700.00	150.00	350.00
1999		750.00	1,200.00	350.00	350.00
2000		750.00	1,200.00	350.00	
Stopped Jun 2000					

NB: Cubic metres allocated include all species

2.2.2 Seed from research and development

This source of revenue generates about 34.4% of all the revenue accruing from wood products in the forests. The Research and Development Division, as a matter of course, collects seeds from indigenous forest areas and pine/eucalypt seed orchards. Some of the seed is used for research but most is prepared for sale to stake holders within the country and outside. Seed is basically sold at market value except when sold internally to other divisions within the Forestry Commission. The amount of revenue collected is normally able to cover all the costs associated with the production of that seed.

2.2.3 Supervision of wood concessions in rural district councils (RDCs)

Most of the indigenous timber resources belong to the land owners (in the majority of cases to the Rural District Councils) and it is the responsibility of the land owner to manage these resources. Harvesting is part of the management process and before the local authority or RDC can open up an area for harvesting, they must commission a harvesting/logging inventory that demonstrates that there are sufficient timber quantities and quality to warrant harvesting. The Forestry Commission is actively involved in this process and indeed is tasked with the job of monitoring the process of awarding the concession right up to signature of the agreement. For its effort the Commission gets a supervision fee of Z\$18 000 per month per concession as well as a Management fee of 5% of the royalties payable to the landowner.

The concessionaire is normally given a quota of timber to cut per year (normally about 4 000 cubic metres per year) and whether or not he finishes that quota earlier he is still liable to pay

the supervision fee throughout the agreed period of the concession. These fees will normally be used in the management of development plans as well as any other technical work and research associated with management of the forestry estate. This source of funding accounts for 9.54% of the revenue derived from wood products in the forests. Table 3 shows the timber produced from concessions for years 1996 to 2000.

Table 3 *Indigenous timbers harvested*

Year	Amount harvested in m3
2000	13 115.535
1999	15 903.992
1998	17 048.028
1996/97	11 757.257

Another fee, termed a stakeholders' fee of 10% of the royalties payable to the landowners, though not accruing to the Forestry Commission, is used within the community from which the timber emanates. In all the Rural District Councils the Forestry Commission has established Resource Management Committees who are responsible for managing the forestry resources in their community. This committee is the one that administers this money for community projects such as schools and clinics. This fee acts as an incentive to the local community to conserve their forestry estate and therefore indirectly contributes to the proper management and utilisation of the estate.

2.3 *Non wood products from forestry estate*

The Forestry Commission derives revenue from various non-wood products that emanate from the forest estate that is directly controlled by the Forestry Commission, ie; demarcated forests. The Commission does not derive any revenue from areas outside of demarcated forests. They derive revenue mainly from non wood products, grazing, wildlife, firewood, map production and harvesting of mushrooms. No fee is charged for fruit collection. The following are some of the areas that are revenue generating and they account for 56% of revenue from the Forestry Commission's own resources.

2.3.1 *Sale of animals to Ngamo Safaris*

Most of the forests that the Commission controls have wildlife that resides therein and can be harvested sustainably. The Department that is responsible for the management of wildlife is the Department of National Parks and Wildlife Management (DNPWM) and the rules applicable for the harvesting of wildlife equally apply to the Forestry Commission. The DNPWM carries out a census of animals at the beginning of every year to determine the appropriate animals for harvest in a person's property. All wildlife belongs to the state but all landowners have the right to sustainably harvest this wildlife within pre-determined quotas that are approved by DNPWM. The only areas that the Commission has wildlife rights over are the demarcated forests.

For purposes of utilising this resource the Commission has constituted a division under it that operates both hunting and photographic safaris, called Ngamo Safaris. Because Ngamo Safaris is a sister company there has been a bias towards allocating them a greater quota of animals and safari leases. The efficiency in operations has, however, always been below par with the result that more revenue accrues from private operators than Ngamo. This is clearly another area where revenue collection could be enhanced if there was competitive bidding for animals as well as leases. It is against this background that Ngamo Safaris is now being turned into a company under the Companies Act in order to improve its operational efficiency.

The sale of animals to Ngamo Safaris is based on a percentage of the international market price per trophy as follows:

- a) 75% of the value of animals on their quota for the Big Five, ie, elephant, buffalo, sable, lion and leopard. Charges are raised whether the animals are shot or not.
- b) 70% of the value of animals on their quota for eland, kudu, zebra, waterbuck, hippo and crocodile. Charges are raised whether the animals are shot or not.
- c) 60% on the rest of the animals on the quota but charges are raised only on animals shot.

This is a significant source of revenue and accounts for almost 70% of the revenue accrued from non-wood products in the forestry estate.

2.3.2 Sale of animals to other operators

In the event that Ngamo Safaris is not able to take up all the animals on offer during negotiations for the quota, the balance of animals remaining on the quota are sold to other operators at market prices prevailing at the time. This source of revenue accounts for 2.56% of the revenue from non wood products.

2.3.3 Safari leases to Ngamo Safaris

Before Ngamo Safaris engage in any hunting entity they will have acquired a lease from Forestry Commission and for the right to operate in this lease they pay lease rentals which currently are negotiated between Ngamo Safaris and the Commission. The revenue that accrues from this source is approximately 8.7% of revenue accruing from non-wood products.

2.3.4 Safari leases to other operators

As in the case of hunting, in the event that Ngamo has not taken up all the leases, then the balance is offered to other operators at market prices comprising a fixed lease fee of 5% to 10% of audited revenue for the lease. The fee is denominated in US\$. This source accounts for 12.5% of all revenue from non-wood products.

2.3.5 Grazing fees

Most of the demarcated forests are very good grazing areas. Based on a viability assessment occasionally some of these forests are opened up to the public for grazing at a fee. The fees are market based and would normally be the prevailing fees for any other landowner offering that service. The fees that accrue from this source are about 2.6% of total revenue from non-wood products.

2.3.6 Maps

The Forestry Commission generates various maps that are useful in the management of forestry. These maps are sold to various stakeholders on a cost recovery basis. The pricing of the maps is meant to ensure affordability in order to facilitate sustainable forestry management. The revenue from this source accounts for 3.7% of all revenue from non-wood products.

3 ADMINISTRATION OF THE FOREST REVENUE SYSTEM

3.1 *Government contribution to Forestry Commission*

The Forestry Commission gets revenue from Government in the form of grants which they bid for prior to the beginning of every fiscal year. The bids typically capture the moneys that the Commission envisages it will require to pay salaries and wages as well as any capital development. The amount granted for salaries and wages is termed recurrent grant and the capital portion falls under the Public Sector Investment Programme. Table 4 shows the trend of grants given to the Forestry Commission from fiscal year 1995/96 up to year 2001. During the past three fiscal years funding from Government could not even fully cover the salary and wage bill of the Commission and the shortfall had to be met from revenue collected by the Commission. Hence the exercise of restructuring that I alluded to earlier.

Table 4 *Government grant financing for 6 years to 2001*

Item	1995/96	1996/97	1997/98	1999	2000	2001	Total
Govt recurrent grants	10 950 000	19 230 000	24 533 333	69 890 000	103 798 000	150 000 000	378 401 617
Govt capital grants	5 327 000	3 944 000	3 845 000	6 700 000	16 848 000	15 030 000	51 694 055
Total	16 277 000	23 174 000	28 378 333	76 590 000	120 646 000	165 030 000	430 095 672

4 TOTAL REVENUE COLLECTION AND DISTRIBUTION

4.1 Donor grants to Forestry Commission

Donor funds are typically targeted at specific programmes that Government will have negotiated with the donors. Some of the resources benefit the Commission in kind while some of the resources are in cash. These funds are only used for operations and not for paying salaries and wages. Table 5 shows the value of donor funds that accrued to the Commission from fiscal year 1995/96 to the year 2001.

Table 5 Donor grants for 6 years to 2001

Item	1995/96	1996/97	1997/98	1999	2000	2001	Total
Donor grants	14 369 000	16 029 152	6 000 000	30 106 227	46 732 003	55 275 621	168 512 164

5 GOVERNMENT EXPENDITURE ON FORESTRY

5.1 Expenditure patterns in the Forestry Commission

In order to appreciate the extent to which the above revenue sources satisfy the requirements of the Forestry Commission, it is probably prudent to dwell a little bit on the expenditure profile of the Commission.

Every year the Commission is left with a deficit in terms of the resources it requires. The hardest hit division is the Extension division. This situation is pretty obvious because the clientele catered for under this division is the least capable of paying for these services. You will observe that in the majority of years this division accounts for more than half of the accrued deficit for the Commission. This situation if addressed, could obviously go a long way towards addressing the issue of long term sustainable funding for Forestry Management. This issue will be addressed later under “Discussion and Conclusions”. There are other divisions that also operate at a deficit but I believe that other market based instruments could be used to address this anomaly. Again this will be discussed under “Discussion and Conclusions”. In order to offset these deficits the Commission normally turns to government for a supplementary budget allocation.

The budget for the year 2001, shows available funding and budgeted expenditure to illustrate the fact that the problem still persists.

6 DISCUSSION AND CONCLUSIONS

In order for one to deem the financing systems for the Forestry Commission effective and sustainable one would want to see a situation where the various segments of the revenue system are growing at the same rate as the demand for these resources. Though there is no graphical illustration, it is quite evident that demand for resources necessary for the proper management of the forestry estate have been growing, showing that in the majority of years there has been a deficit in terms of satisfying this demand. In order to appreciate the cause of this deficit it is important to examine each of the revenue systems as to their performance over the time period under consideration. In doing so it is also important to identify the positive as well as the negative aspects vis-a-vis performance of that revenue system.

6.1 *Government contribution to Forestry Commission*

Figure 1 shows all the revenue systems and how they have fared for the time period under consideration. Government contribution exhibits the highest growth over that period in both Zim dollar and US dollar terms. I have put a figure in US\$ terms (Figure 2) as it is better able to capture real growth as the US\$ is less affected by devaluation. Growth in Government contribution seems to have been greater in the later part of the period under consideration (1997/98 - 2001) and in fact during the period of slower growth all the other revenue areas appear to have been on the decline. So clearly one cannot find too much fault in the manner in which Government has attempted to contribute towards sustainable forestry management despite repeated calls from stakeholders for Government to increase funding.

The one area though that appears to require more effort is that of capital expenditure. Revenue from this source, though showing growth in Zim dollar terms appears to be erratic in real terms or very slow growth at best. The reason for this might be the fact that most of the donor grants appear to come together with capital equipment such as vehicles and the Commission then finds very little reason to bid for a capital grant from Government.

The only suggestion I would make in terms of making sure Government contribution continues to perform is that the Commission should commission a study that would result in guidelines to assist Central Government or Treasury in quantifying an appropriate amount for allocation to the Commission. Such a study would highlight the long term benefits of Government disbursing these funds and the long term cost of not doing so. The study could go further in identifying areas where Central Government can impose taxes in order to accrue sufficient revenue for disbursement to the Commission

6.2 *Forestry Commission's own sources of revenue generation*

With reference to Figure 1 and Figure 2, this revenue source exhibits growth in Zimbabwe dollar terms but erratic growth in real terms. This appears to be an area where potential is there but for some reason it has not been exploited over the discussion period. If one looks, one observes certain divisions that have very little capacity to generate resources from within. One such division that particularly sticks, out is the Extension division. As explained earlier the reason for this anomaly is that the clients in this division are least equipped to contribute

anything. However, if this group of people were left out the resultant deforestation would have adverse effects on a whole variety of stakeholders such as farmers, water users or even town dwellers. It appears to me logical that these other stakeholders should contribute in some way towards ensuring that extension continues to be undertaken. The imposition of a levy on targeted stakeholders is one way of getting moneys into a fund that could cater for all extension work done by the Commission.

My recommendation is that a thorough study be done, possibly with the assistance of the donor community, to identify which stakeholders would be amenable to such a charge and how best to effect such a charge. Levies are very difficult to sell to stakeholders. One would have to devise a system that demonstrates to these stakeholders that the monies they are being charged are indeed being ploughed into a cause that benefits them, albeit in the long term.

Another area within the category of revenue from the Commission's own resources that requires attention is revenue from non-wood resources. Figure 3 and Figure 4 show the trends in wood products, non-wood and processed products. Clearly the wood products revenue appears to have been growing significantly in both Zim dollar and US\$ terms. The non-wood products revenue, however appears to have been stagnant over this period. The biggest contributor to this category of revenue is the sale of animals to Ngamo Safaris. The price at which these animals are sold is negotiated and because Ngamo is a division of the Commission the tendency has always been to undervalue this resource at the expense of the Commission.

The Commission will in the very near future be turning Ngamo Safaris into a private company under the Companies Act and my recommendation is that all the Forestry Concessions be put on tender or alternatively auctioned in order for the Commission to realise the most value out of this resource.

Yet another area that requires attention is the revenue that accrues from processed products. At the moment it appears to be a voluntary contribution from the Timber Producers Federation for pre-determined research work. I believe there is a case for a specific levy to be imposed to benefit not just research but Forestry Management and sustainable utilisation. As mentioned earlier, levies are difficult to sell and I would recommend that studies be done to identify the best possible way of structuring such a revenue system to ensure that the timber producers have confidence that the levies they are being charged are directed at a cause beneficial to themselves.

6.3 *Donor grants to Forestry Commission*

Donor support has been satisfactory under the period under consideration, given that there is no control over them to ensure they grow. One point to note though is that the donor community is more amenable to releasing funds into programs they believe will continue to sustain after they have left. So, by enhancing the capacity to generate funds from the other sources alluded to, one is in a sense, enhancing the prospects of donor support.

6.4 Conclusion

As alluded to earlier, the Forestry Commission is going through a process of identifying revenue generating centres with a view to optimising their capacity to generate more funds. Some of the suggestions proffered here could assist the Commission achieve these goals. A lot of the areas they will be investigating will require resources in order for them to clearly analyse all the options available to them. My sincere hope is that the donor community will be forthcoming with assistance in this respect. I am confident that given this assistance the Commission will be transformed into an institution capable of delivering a forestry management regime that is self sustaining for a long time.

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