

Recent trends in fiscal policies in the forest sector in Africa

As interest in sustainable forest management has grown, so has the importance of finding ways to finance it. Indeed, one of the main points of agreement at various international meetings on forestry has been the need for support for it (UN, 2000). Little progress has been observed, however, and considerable differences of opinion remain as to how funding for forestry can be obtained.

The present chapter is based on 32 country reports on forest finance produced by African national experts between 2000 and 2002, with the assistance of a joint European Commission/FAO project on sustainable forest management in Africa (FAO, 2001, 2002a) (see Box for list of countries covered). It presents recent trends in public expenditure on forestry and revenue collection from the sector, and then describes some recent innovations in related fiscal policies.

It concludes by suggesting how fiscal policies in the sector might be improved and offers comments on the broader debate on financing sustainable forest management.

PUBLIC EXPENDITURE ON FORESTRY

Public expenditure on forestry is likely to be the driving force for implementing sustainable forest management in Africa. Although public funding supports the management of protected areas and a few small production forests, most public expenditure is used to monitor and control private sector operations. It is in this latter regard that an increase is particularly needed if forest management is to improve on the continent.

Public expenditure on forestry usually comes from two main sources: domestic financing, including government revenue from taxes and

Countries covered in the FAO study on forest finance in Africa

Benin	Guinea	Senegal
Burkina Faso	Kenya	Seychelles
Burundi	Lesotho	Sierra Leone
Central African Republic	Liberia	South Africa
Chad	Madagascar	Sudan
Comoros	Malawi	Togo
Côte d'Ivoire	Mali	Uganda
Democratic Republic of the Congo	Mauritius	United Republic of Tanzania
Ethiopia	Namibia	Zambia
Gambia	Niger	Zimbabwe
Ghana	Nigeria	

duties, as well as government borrowing; and, in the case of developing countries, international financing through grants and loans. In addition, an important component of domestic financing in some countries is revenue collected in the form of charges, fees and levies.

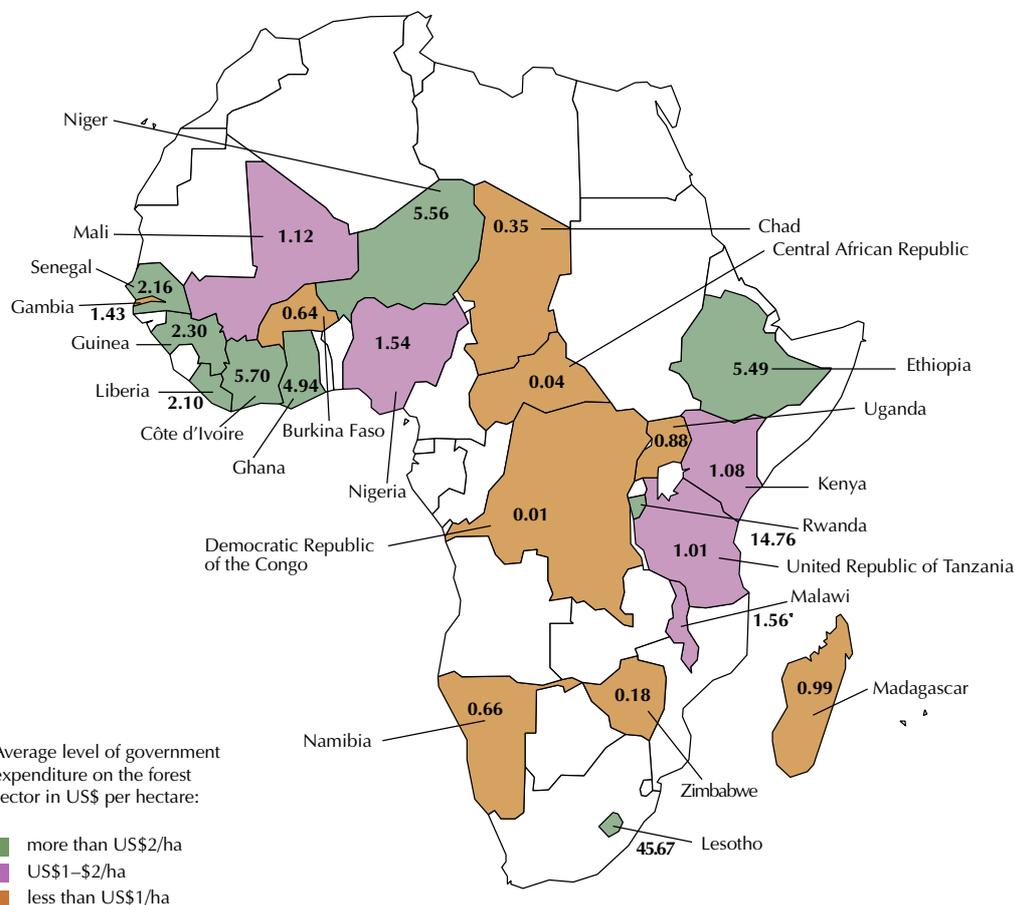
Trends in total public expenditure on forestry

Faced with many demands for public services, most governments assign a low priority to financing of forestry. In fact, several country reports noted that public expenditure on forestry accounted for less than 1 percent of the total, and it seems likely that this is the case throughout Africa. On the basis of 24 country

reports, the average total public expenditure on forestry in 1999 was US\$0.82 per hectare (FAO, 2002a). However, international financing accounted for about 45 percent, making the average level of domestic financing only US\$0.45 per hectare.

Figure 7 shows total public expenditure on forestry per hectare in countries where information was available. The countries with the highest levels of public expenditure on forestry per hectare were those with relatively small forested areas (Lesotho and Burundi). Others with high levels of public expenditure included the Niger, Ethiopia, Côte d'Ivoire and Ghana. In the Niger, the high expenditure is

FIGURE 7
Public expenditure on forestry per hectare in African countries, 1999



explained by high levels of international financing, but this is not the case in Ethiopia and Côte d'Ivoire. In general, there is little correlation between total public expenditure on forestry and the level of international financing.

About half the countries in the study also presented information about recent trends in total public expenditure on forestry. As Table 11 shows, it has increased in all countries except two. However, increases in most countries failed to keep

up with inflation, so that in real terms total public expenditure on forestry grew in only five countries.

Trends in international financing

Further details about the sources of financing for public expenditure on forestry in Africa are given in Table 12. Although this table shows a wide variation in international financing among countries, countries tend to fall into three categories.

- A few countries with relatively large and well-developed forest sectors have high levels of public expenditure on forestry and relatively low levels of international financing (e.g. Côte d'Ivoire and Ethiopia).
- A few more countries have quite high levels of public expenditure on forestry but have much higher levels of international financing as well (e.g. Madagascar, Mali and the United Republic of Tanzania).
- Most countries have generally low levels of public expenditure on forestry with proportionately high levels of international financing. In most, the forest sector is not a major part of the market economy, although forests have enormous value for subsistence and for social and environmental benefits. These priorities are generally reflected in the types of project and programme that international agencies tend to finance.

The average contribution of international financing to total public expenditure on forestry in 1999 was 41 percent. On the basis of limited information about trends in international financing since 1990, it appears that this figure has varied by an average of 35 to 40 percent over the past decade and that it declined from a peak of US\$132 million in 1995 to US\$110 million in 1999, a fall consistent with broader global trends, as reported by Madhvani (1999) and the Organisation for Economic Co-operation and Development (OECD, 2000).

Activities supported by public expenditure on forestry

An important aspect of public expenditure, in addition to its total amount, is the contribution

TABLE 11
Trends in total public expenditure on forestry
in selected African countries

Country	Time period	Average annual increase in total public expenditure on forestry over the specified time period (%)	
		At current prices	At constant prices
Burkina Faso	1996–1999	- 6	- 11
Burundi	1990–2000	+ 4	- 5
Central African Republic	1996–2000	+ 8	- 11
Chad	1991–2000	+ 10	+ 1
Côte d'Ivoire	1990–1999	+ 5	- 4
Ethiopia	1997–1999	+ 3	- 5
Gambia	1995–2000	+ 1	- 3
Ghana	1990–1999	+ 37	+ 8
Kenya	1995–2000	- 7	- 18
Malawi	1990–1999	+ 26	- 4
Mali	1992–1999	+ 16	+ 6
Mauritius	1996–2000	+ 6	- 3
Niger	1991–1999	+ 8	+ 1
Nigeria	1993–1999	+ 16	- 18
Senegal	1990–1999	+ 6	0
Zimbabwe	1996–2000	+ 59	+ 25

Source: FAO, 2001, 2002a.

Notes: The figures for Ethiopia are an underestimate because the most recent expenditure figures do not include all the states. The figures for the Central African Republic, Ghana and Malawi exclude expenditure supported by international financing. The figures for Nigeria include estimates of spending on forestry by State forest administrations, based on the country report plus information about State budgets in Nigeria (IMF, 2000).

it makes to sustainable forest management. Based on information provided by 17 countries, the following general observations can be made.

- Most public expenditure from domestic financing goes to current expenditure rather

than to investment (86 percent in 1999).

- Most current expenditure covers staff costs. About half the countries reported that these costs accounted for more than 70 percent of the total.

TABLE 12
Sources of public expenditure in the forest sector in selected African countries, 1999

Country	Forest revenue	Total public expenditure (\$US'000) ^a			Sources of funds (%)		
		Domestic financing	External financing	Total	Forest revenue	Government (net)	External
Burkina Faso	780	2 201	2 328	4 530	17	31	51
Burundi	50	193	1 198	1 391	4	10	86
Central African Republic	5 566	1 030	n.a.	1 030	541	n.a.	n.a.
Chad	60	471	3 960	4 431	1	9	89
Côte d'Ivoire	41 561	32 971	7 566	40 538	103	-21	19
Democratic Republic of the Congo	803	1 277	0	1 277	63	37	0
Ethiopia	2 283	21 345	3 865	25 209	9	76	15
Gambia	225	242	445	686	33	2	65
Ghana	12 559	31 294	n.a.	31 294	< 40	n.a.	n.a.
Guinea	902	7 362	8 551	15 913	6	41	54
Kenya	1 845	17 407	1 054	18 461	10	84	6
Lesotho	44	521	119	639	7	75	19
Liberia	3 100	7 317	0	7 317	42	58	0
Madagascar	2 734	4 385	7 255	11 641	23	14	62
Malawi	110	3 992	n.a.	3 992	< 3	n.a.	n.a.
Mali	321	4 830	9 896	14 726	2	31	67
Mauritius	770	5 603	0	5 603	14	86	0
Namibia	68	2 548	2 787	5 335	1	46	52
Niger	351	773	6 612	7 385	5	6	90
Nigeria	2 572	12 580	8 241	20 821	12	48	40
Senegal	1 579	2 835	10 578	13 413	12	9	79
Uganda	763	1 282	2 386	3 668	21	14	65
United Republic of Tanzania	2 763	7 567	31 773	39 340	7	12	81
Zimbabwe	908	2 132	1 254	3 386	27	36	37

Source: FAO, 2001, 2002a.

n.a. = not available.

^a At 1999 exchange rates.

Notes: Although figures were not available, it should be noted that both Ghana and Malawi receive significant levels of external financing for the forest sector. It should also be noted that international financing might be higher than shown because these figures may not include support to forestry under more general rural development and environmental projects in some countries.

- In contrast, nearly all expenditure supported by international financing was spent on investment (73 percent in 1999), mostly on relatively small and specific areas.
- Only five countries reported investment programmes supported by domestic financing of more than US\$1 million per year in the forest sector.

Given that public expenditure covers a wide range of activities in forestry, most countries could not easily identify how much was devoted to sustainable forest management. Only community forestry and protected area management were distinguished. The most commonly reported areas for investment were projects related to infrastructure and to reforestation for community forestry, commercial forestry and desertification control.

Revenue collection

Where forests are owned by the State, it has been suggested that one way to increase public expenditure is to increase forest charges and revenue collection. However, a number of studies have shown that the forest revenue collected is low in many countries (FAO, 1983; Repetto and Gillis, 1988; Grut, Gray and Egli, 1991). Low forest revenue not only has a negative impact on total government revenue and expenditure, but also sends incorrect price signals to the market about the value of forests and wood. Such messages are damaging to sustainable forest management in that low prices can result in overharvesting and undervaluing of the resource, both of which contribute to deforestation and forest degradation.

Analysis of the data from Africa reveals the following.

- Forest charges are complicated and duplicated in many countries. If general taxes and levies are included, it is quite common for producers to pay more than ten different taxes and charges.
- Most countries levy charges on several types of forest output from among, for example, woodfuel, industrial roundwood, processed

products, non-wood forest products (NWFPs) and forest services.

- Forest charges are reviewed every three to four years on average, but four countries had not reviewed their charges since 1990. Since 1990, charges had increased by more than the rate of inflation in only four of the countries studied.
- Governments set most forest charges by using market-based formulae or by consulting with interested parties. When market-based methods have been used, forest charges have tended to increase. Consultation, often with the forest industry, has tended to restrict increases.
- Of the 22 countries that provided adequate data on the total revenue collected, 17 had increased it since 1990, although only 13 had done so by more than the rate of inflation. Given that forest charges generally fell over the period, most countries have become more efficient in revenue collection (O.I. Ajewole, in preparation).

The average revenue collected per cubic metre was calculated by dividing total revenue collected by total production. Using total roundwood production, the average revenue collected in Africa in 1999 was US\$0.19 per cubic metre. However, excluding woodfuel production, the figure is US\$2.42 per cubic metre.

These results show little improvement in this area. Forest charges remain low, complicated and difficult to collect. Countries suggested a number of reasons for this, including staff shortages, poorly motivated staff, infrequent revision of charges and poor governance. However, in some cases, low revenue collection is a deliberate policy of governments that want to subsidize wood consumption – in the form of woodfuel, for example – for social reasons.

NEW FISCAL ARRANGEMENTS

Given the limitations of public finances, many African countries are attempting new and innovative ways of drawing or retaining finance. The most notable of these are a move towards greater decentralization and financial

autonomy for forest administrations, experiments with cost and benefit sharing with stakeholders, increased use of forest funds and privatization of forest resources.

Fiscal decentralization and financial autonomy

In terms of fiscal decentralization, most African countries have followed one of three models.

- **Complete decentralization.** In a few countries, notably Ethiopia and Nigeria, forestry has been almost entirely decentralized to the state government level. Both countries report some disadvantages, such as wide variations among states in forest charges and revenue collection. However, some states in these countries have implemented effective models of forest financing.
- **Decentralization within a common national framework.** Many of the Sahelian countries (e.g. Mali and the Niger) have partly decentralized fiscal policy in the forest sector. Thus, for example, local communes are involved in the development of areas for forest harvesting and revenue collection and keep a share of the revenue collected. At the national level, the government determines the rules and regulations for forest harvesting and sets the level of

forest charges to be applied across the country.

- **Centralized administration with revenue sharing.** The central administration maintains control over forest management and revenue collection but shares some of the revenue with local authorities. This model has been applied in Uganda and Zambia, and to a lesser extent in Ghana. It seems to have few benefits, except that it might create a stronger link between forest protection and the collection and use of revenue for local services and facilities.

At a recent workshop on forest finance in Abuja, Nigeria (FAO, 2002a), countries reported that the current trend towards decentralization was generating some concern about the future for forest financing. In brief, it was felt that if local and regional governments collected revenue and had authority for spending it, even less attention would be paid to the need for public expenditure on forestry.

Most African countries levy charges on several types of forest output including woodfuel, although low revenue collection is sometimes a deliberate policy to subsidize fuelwood consumption for social reasons



Another innovation that is becoming more common is the granting of greater financial autonomy to forest administrations. More independent and, in some cases, self-financing forest administrations have been launched or are under consideration in several countries, including Ghana, Uganda and Zambia. A number of countries have also experimented with having regional or state forestry offices retain a proportion of the revenue they collect, for use in implementing local forestry projects and programmes.

Many countries reported problems with access to agreed budget allocations from State treasuries, so greater autonomy in collection and retention of revenue may improve the administration of public finances in the sector.

However, it is too early to tell whether these schemes will be successful.

Cost and benefit sharing

Thirteen countries reported that they had developed or implemented various mechanisms to increase the involvement of local communities in the management of forests, including sharing some of the costs and benefits from forest harvesting.

A few countries have given communities complete control over forest resources, including responsibility for collecting revenue (e.g. the Gambia). In return, they must return a share to the forest administration and, in some cases, must spend some of the money on forest management. However, most countries have introduced simpler systems, under which the

Forestry Outlook Study for Africa

The recently completed Forestry Outlook Study for Africa (FOSA) provides a 20-year perspective and long-term planning framework for development of the sector. The main outputs are an overview and five subregional reports that address issues pertaining to Central, East, North, Southern and West Africa. These reports identify driving forces, describe policies and institutional scenarios, assess implications for the future of forestry and present possible ways of increasing its contribution to sustainable development. Key findings and conclusions are summarized in the following.

FACTORS AFFECTING FORESTRY

Factors expected to have an impact on the forest sector over the next 20 years include:

- the varying pace of political and institutional changes, especially democratization, decentralization and the involvement of stakeholders;
- persistent conflict and war;
- demographic changes, including an estimated population increase of around 400 million or 50 percent by 2020, as well as such factors as urbanization, population movements and HIV/AIDS;

- the low growth in income, exacerbated by its very unequal distribution, accentuating poverty and therefore dependence on natural resources such as forests;
- the high debt burden, declining development assistance, low levels of foreign direct investment and declining terms of trade;
- emerging opportunities and constraints arising from globalization;
- insufficient diversification of economies and the predominance of the informal sector;
- inadequate investment in human resources and technology.

The overall institutional environment is marked by inadequate and rapidly declining capacity in public sector institutions, a poorly developed market mechanism that is unable to provide a level playing field, and a growing informal sector which, although critical for livelihoods, is unable to manage resources sustainably. In addition, most people are not empowered and hence lack the freedom to bring about positive change.

IMPLICATIONS

In the absence of any fundamental change, the forestry situation in Africa will be marked by:

*Many African countries have implemented mechanisms to increase the involvement of local communities in the management of forests and the harvesting of their products; these women in Burkino Faso process the nuts of *Butyrospermum parkii* to obtain shea butter*



FAO COMMUNITY FORESTRY UNIT/CH/000183/KR. FAIDUTTI

- continued land-use conflicts and loss of forest cover at roughly the current rate;
- slow progress in applying sustainable forest management;
- deterioration in the state of the environment, particularly exacerbation of the water crisis, increasing land degradation and desertification, and loss of biological diversity;
- continued dependence on wood as a source of energy, increasing woodfuel consumption from about 635 million cubic metres in 2000 to about 850 million cubic metres in 2020;
- depletion of NWFPs, most importantly medicinal plants;
- increased conflicts in wildlife management, undermining the potential of wildlife as a source of bushmeat and protein for rural diets and impeding the expansion of wildlife-based tourism;
- a significant decline in productivity and in purchasing capacity on national and local markets as a result of HIV/AIDS.

PRIORITIES AND STRATEGIES

Fundamental changes in priorities and strategies are needed over the next two decades if current trends are to be reversed, especially with a view to:

- alleviating poverty, by emphasizing the production of basic goods and services and by generating income to meet basic needs;
- protecting the environment, by conserving and rehabilitating watersheds, arresting land degradation and desertification and conserving biological diversity.

This involves empowering key actors and enhancing positive action by:

- redefining the responsibilities of the public sector and enabling it to play a leading role in creating conditions for all stakeholders to function effectively;
- supporting the development of an effective and transparent market mechanism;
- improving the efficiency of the informal sector by providing legal, institutional and other support mechanisms.

The FOSA reports outline how these priorities and strategies could be adapted to each subregion. Follow-up will focus on incorporating the findings into national forest programmes. Specific attention will be paid to improving strategic planning capacities at the national and subregional levels.

The full texts are available on the Internet at www.fao.org/forestry/outlook.

Impact of HIV/AIDS on forestry

With an estimated 40 million people infected globally and 3 million deaths in 2001 (UNAIDS and WHO, 2001), HIV/AIDS has become a major development problem in all sectors, including forestry. Sub-Saharan Africa has been particularly hard hit, accounting for 70 percent of the world's total infected. In countries where more than 20 percent of adults are infected, life expectancy has declined considerably (UN, 2001). To date, AIDS has killed about 7 million agricultural workers in the 25 most-affected African countries. Another 16 million could be lost by 2020 (FAO, 2002b).

Although the overall effects of HIV/AIDS have been well documented (ILO, 2000), no comprehensive study has been undertaken on the direct and indirect effects of HIV/AIDS on forests and forestry. As increasing numbers of people succumb to the disease, however, the severity of the problem is becoming more evident. Implications include:

- a drastic decline in the human and financial resources of households, undermining labour- and capital-intensive land uses and leading to increased dependence on forests;
- the loss of traditional knowledge and skills, with devastating consequences for the social, economic and cultural stability of communities;
- the loss of qualified professionals and technicians, severely limiting the capacity of governments and communities to implement sustainable resource management;

- high absenteeism and declining productivity of the workforce, undermining the economic viability of forest industries;
- reduced public sector investment in sustainable forest management as a result of additional resource requirements for combating HIV/AIDS.

A shortage of labour stemming from AIDS-related deaths has already increased the use of forests and tree systems. Instances of people reverting to the use of wild, uncultivated resources in sub-Saharan Africa have been documented (Barany *et al.*, 2001). In Malawi, a survey of microenterprises and small enterprises, including those in the forest sector, indicated a decline in the number of enterprises as a consequence of HIV/AIDS (National Statistical Office, Malawi, 2000).

The forest sector is developing comprehensive strategies to address the problem of HIV/AIDS, and opportunities for collaborating with other sectors have been identified. Little can be done to address short-term agricultural production and nutrition issues, but secure land tenure, labour-extensive production systems and emphasis on certain medicinal plants and tree species can make significant contributions in the longer term. Forestry training and education, including youth and continuing education, also have a part to play in raising HIV/AIDS awareness, promoting safety measures and enhancing income opportunities for junior workers, women and children.

"There has not been any specific study on the impact of HIV/AIDS in the forestry sector but we lose staff almost every week in the department alone. Workers suffer different degrees of the illness, thereby reducing their availability to work. Since HIV-related illnesses tend to be long term, measured in years most of the time, the impact is quite significant. The other dimension is the amount of resources used for treatment or for facilitating funerals. Our tradition is that one is buried in the home village. A lot of money is spent to buy coffins and transport the dead home. Even without a systematic assessment, we know the impacts in terms of human loss, lost hours due to illness, and funeral costs are high."

Sam Kainja, Deputy Director of the Forestry Department, Malawi

forest administration retains control and gives a share of the revenue it collects to communities or the local government.

Most of these schemes have been introduced recently, driven by specific pilot projects that were donor-funded and -managed. Thus, the institutional capacity to sustain them is often lacking. Other problems noted in the reports include: identifying who should benefit from revenue sharing; the lack of capacity in communities to manage funds; obtaining funds held at the central level; the lack of public awareness; and reporting, monitoring and accountability. As with decentralization, it is still perhaps too early to tell whether cost- and benefit-sharing arrangements will do much to improve the financing of sustainable forest management.

Forest funds

The third way in which countries have recently tried to improve the financing of sustainable forest management is through forest funds. These can be organized in many ways (Rosenbaum and Lindsay, 2001) but they are generally raised through contributions from specific sources and are to be used only for specific purposes.

Forest funds are often derived from special fees or levies in the forest sector, although in

some cases these are supplemented from other sources. Forest funds in Africa are used for various purposes, including: forest industry development; monitoring of forest operations; research, training and education; conservation; purchase of equipment; and wildlife management. More general funds have also been established to support revenue sharing and self-financing forest administrations, as already noted.

Fifteen countries reported that they had at least one forest fund. However, most also indicated that these funds had done little to improve access to timely and adequate amounts of public finance to support operations. This finding was confirmed by a statistical analysis of trends in revenue collection and public expenditure on forestry, which showed that in countries without forest funds, roughly 52 percent of past increases in the revenue collected were returned to the forest administration in the form of higher

Forest funds in Africa are used for various purposes, including forest industry development



domestic public financing. In countries with forest funds, this figure was only slightly higher, at 56 percent, suggesting that forest funds have done little to strengthen the link between revenue collection and public expenditure in the sector (O.I. Ajewole, in preparation).

Privatization of forest resources

A number of countries in Africa are examining options for privatizing parts of their public forest estate, mostly consisting of forest plantations rather than natural forests. A move in this direction is being considered particularly in Southern Africa, by Malawi, South Africa and Zambia. Many countries are promoting new and innovative forms of private sector management in their natural forests as well.

The driving force for privatization is likely to be the inefficiency of the public sector in

managing many of these areas. Several countries reported that they could not afford to manage and replant their forest plantations with the revenue that they were obtaining from the sale of forest products. As a result, encroachment and selective cutting of the most valuable trees is degrading these resources. If current attempts at privatization are successful, other African countries may follow suit. Alternatively, if the circumstances are right, countries may clear their forest plantations and then rent or lease the land to private tree growers, as has happened in Uganda (see Box below).

It is also important to note that the area of privately owned forest land in Africa is extremely small, with only Uganda, South Africa and a few other countries recognizing significant areas of privately owned forest. A few countries maintain that all forests belong to the State. In most, however, ownership and control remain unclear and uncertain.

Renting forest land to promote private tree planting in Uganda

The system of renting out cleared forest land was introduced in peri-urban areas of Uganda, where the government allocated plots for individuals, institutions and organizations to plant trees to supply poles and fuelwood for urban areas. This was initially done because the Uganda Forest Department lacked the resources to replant these areas, but later it was seen as an opportunity to involve private farmers in tree planting.

Under the scheme, farmers are each allocated a 5-ha plot, on which they usually plant *Eucalyptus* species. The Forest Department provides technical guidance for planting and tending operations, but the farmer covers the costs of labour and materials and pays an annual land rent of US\$1 500 (US\$0.85) per hectare. When the trees are harvested, the farmer retains all the profit from the sale of the poles and fuelwood.

The demand for these products in urban areas is such that large areas of privately managed *Eucalyptus* plantations are found in many peri-urban areas today. The same scheme is now being examined for industrial softwood, and some investors have already shown interest.

RECOMMENDATIONS FOR IMPROVING FISCAL POLICIES

Public expenditure on forestry in Africa is low compared with that of other regions, and a lack of available financial resources suggests that sustainable forest management will not be achieved on the continent in the foreseeable future. The following suggestions are made with a view to improving this situation.

- **Public expenditure.** An analysis of public expenditure on forestry (O.I. Ajewole, in preparation) has shown that population has the greatest impact on total spending, which suggests that forests are valued largely for their subsistence, social and environmental benefits rather than purely for their financial benefits. Countries should therefore stress the socio-economic benefits of forests, including poverty alleviation, to attract more public spending.
- **Efficiency of expenditure.** The huge proportion of public expenditure allocated to wages leaves little for investment or operations. Fewer employees, with adequate funding to carry out tasks, might be more effective. In addition, more attention should

be paid to supporting the vast number of small-scale producers in the region.

- **International financing.** The declining trend in international financing for forestry might be reversed if donors made their applications for assistance more transparent and user-friendly, and if forest agencies took a more proactive approach to obtaining international financing. In addition, greater coordination of international assistance to the forest sector could avoid duplication and repetition.
- **Forest charges.** Forest charges should probably be increased in most countries, and this analysis suggests that market-based mechanisms rather than consultation should be used in setting them. Any increases in charges should be accompanied by measures to avoid such problems as corruption.
- **Efficiency of revenue collection.** Countries should move towards simpler and more efficient charges, in light of experiences showing that area-based charges often collect more revenue. With a large number of producers, transaction costs are high and countries should consider contracting the collection of charges and fees through such arrangements as cost and benefit sharing.
- **Decentralization.** Experience from various countries suggests that the decentralization of revenue collection and expenditure functions can be effective, but that this should be done within the framework of a national fiscal policy.
- **Cost and benefit sharing.** Local populations should be involved in revenue collection through cost- and benefit-sharing arrangements, inasmuch as these increase efficiency. Although existing local government structures may be used, it is sometimes necessary to create new structures, and this can be difficult.
- **Forest funds.** Although forest funds have been successful in other regions, this has not been the case so far in Africa, except in one or two countries that have made considerable investment in capacity

building (e.g. the Niger). Greater attempts should be made to address cumbersome bureaucracy, inefficiency and corruption if forest funds are to be more successful. They must also be managed more independently from the rest of public finances.

- **Privatization.** Given the current performance of the public sector in forestry, it may be desirable to transfer more control and ownership of forest resources to the private sector, including local communities. This will reduce transaction costs and increase the likelihood that private forest owners will be more successful at setting prices that the market can bear and at collecting revenue. In many countries, this may do more to achieve sustainable forest management than current underfunded and inefficient public systems.

First and second Conference of Ministers in Charge of Forests in Central Africa

As a follow-up to the 1999 Summit of Central African Heads of State on the Conservation and Sustainable Management of Forests and the adoption of the Yaoundé Declaration, ministers responsible for forests met in Yaoundé, Cameroon, in December 2000 and again in June 2002. They signed statutes establishing the Conference of Ministers in Charge of Forests in Central Africa (COMIFAC) as the body to provide guidance and make decisions on forest-related initiatives in the region. The ministers also adopted resolutions on medium- and long-term financing, an action plan for implementing the Yaoundé Declaration, a common position to take to the World Summit on Sustainable Development, and a resolution requesting development partners to help finance protected areas and promote alternative livelihoods for people affected by their establishment. The ministers also approved the Executive Secretariat of COMIFAC and clarified links with the Conference on Humid High Forests of Central Africa.

The next COMIFAC meeting is scheduled for June 2004 in Libreville, Gabon.

BROADER IMPLICATIONS FOR FINANCING OF SUSTAINABLE FOREST MANAGEMENT

In the global debate about financing sustainable forest management, emphasis is being placed on increasing domestic and private, rather than international and public, financing (UN, 2000). The results of the analysis presented in this chapter suggest that there is little chance that either of these objectives will be met in Africa in the near future, given that the region is one of the least equipped to address such challenges.

There is a great difference between developed and developing countries with regard to the practice of sustainable forest management, largely because of the disparity in income, which in turn affects the levels of available public and private financing. Although forestry's share of total public expenditure is probably very similar in both categories, in absolute terms it is negligible in developing countries because of much lower public spending. If there is a genuine desire to implement sustainable forest management on a large scale across many developing countries, then international financing for the public sector will have to increase.

The extent to which sustainable forest management can be financed from private sources depends very much on the profitability of the sector. In the few countries in Africa with significant and well-developed private operations (e.g. in West African countries and South Africa), it may be possible to encourage the private sector to finance a significant proportion of the investment needed for this purpose. However, in most countries, production comes mainly from small-scale and informal producers or from people harvesting forest products for their own use, so it is unrealistic to expect them to finance sustainable forest management to any great extent. It therefore seems likely that the public sector will continue to have an important role in implementing sustainable forest management and will remain its most important source of financing. ♦

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