UNIVERSITY OF COPENHAGEN

Decentralised forest revenue collection evidence from Tanzania

Lund, Jens Friis

Published in:
Development Briefs. Policy

Publication date:
2007

Document version
Early version, also known as pre-print

Citation for published version (APA):
Lund, J. F. (2007). Decentralised forest revenue collection: evidence from Tanzania. *Development Briefs. Policy*, (2).

Download date: 24. apr.. 2024

FOREST & LANDSCAPE

DEVELOPMENT BRIEFS

POLICY

NO. 2 • OCTOBER 2007

PHOTOS: JENS FRIIS LUND

Charcoal being transported by bike to urban markets, Tanzania.

Decentralised Forest Revenue Collection: Evidence from Tanzania

Enhanced forest revenue collection constitutes an important policy objective of many developing countries' governments. Forest revenue can be an important source of public finances for both national and local governments and enhanced revenue collection increases the resource price, which induces conservation through substitution and more efficient use of the resource. In spite of this, forest revenue collection is ridden with inefficiencies and corruption leading to low levels of registered revenue collection (Treue 2001, Chaposa 2002).

This Development Brief provides evidence which indicates that decentralising forest revenue collection to lower tiers of local government may be a viable route to fulfil the promises of forest resources revenue. The brief reports on a study of forest revenue collection decentralised to the lowest local government level in Tanzania, the village, as part of a forest decentralisation reform, and presents quantitative evidence of forest revenue collection and expenditure from 14 Tanzanian villages.

The Tanzanian case study

The field study was conducted in Iringa District in the Southern Highlands of Tanzania. During the period 1999 – 2003 decentralised forest management was implemented by the Iringa District Lands, Natural Resources and Environment Office supported by a USD 5.0 million

Policy Conclusions

- Decentralisation of rights to collect and retain forest products revenue to the village level may enhance revenue collection and assure financing of public services at the local level
- The rights to collect revenue should be vested with downward accountable bodies at the local level, and mechanisms to assure transparency must be in place
- The study's conclusions mainly apply to revenue collection from relatively low-value forest resources, where considerations of distribution between decentral jurisdictions are of less importance

Danida project. In 14 villages, democratically elected forest committees have been established that refer directly to the democratically elected village government. The forest committees have been granted executive jurisdiction to implement the objectives of the management plan, i.e. plan and perform forest management operations such as patrols, fire control, and tree planting, arrest offenders, and collect various fees for forest uses. With regard to financial provisions, the villages may collect and retain taxes raised from extraction of forest products, the rates of which they can decide amongst themselves.

The study site is situated in an area of Tanzania, which receives 500-800 mm of rain per year, implying that the forest areas are dry and slow-growing miombo woodlands. The woodlands supply a multitude of products, but the main wood extraction is due to charcoal production, firewood collection and production of pit sawn timber for urban markets.

Increased revenue collection

The District Council is responsible for collection of forest revenue from areas without decentralised forest management. In Iringa District, such areas are the vast majority, and cover 153 villages. Figure 1 presents the total amount of forest revenue collected by the district from 1993 to 2005 and the 14 villages from 2002 to 2005.

Figure 1: Annual forest tax collection in Tanzanian Shillings (Tsh), 1993-2005.[1)]

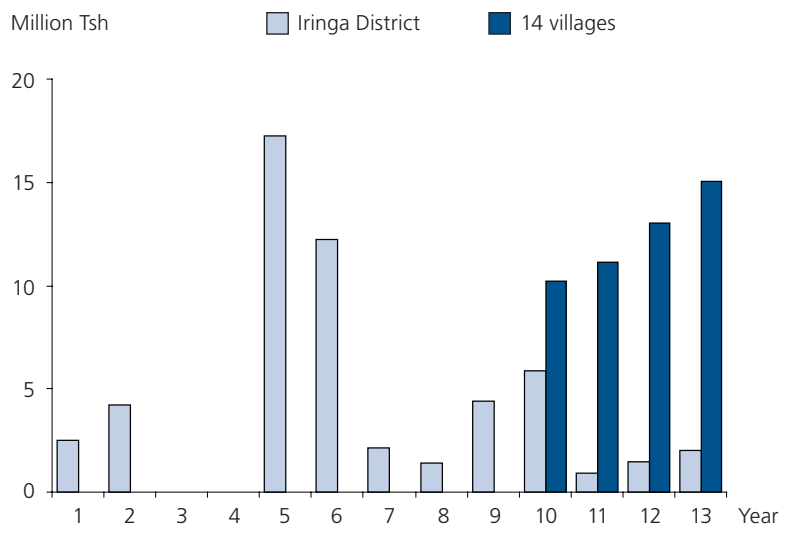

Figure 1 shows that the amounts collected by the 14 villages exceed the revenue collected in the rest of Iringa District, even though studies show that the forest products extracted from these 14 villages only comprise a minor share of the total extraction eligible to revenue payments in the district (Mallango 2001, Koppers 2002). This illustrates that a higher share of potential revenue is collected under the decentralised system.

Analysis of the data underlying Figure 1 reveals that charcoal, in this particular study area, is by far the most important contributor of revenue followed by dry firewood. Other sources are, however, also important, such as wood for curing of tobacco, wood for fish curing in villages with access to fishing waters, livestock grazing, forest land that may be converted into agriculture, regional tourism attractions, or endowments of trees of timber quality. This indicates that forest revenue may contribute to the public finances of villages with varying natural resources endowments and socio-economic characteristics.

Hence, decentralised revenue collection may benefit a large number of villages in Tanzania – and not only those with access to extensive forest resources within market distance of larger towns.

The public finance potential

Is the forest revenue used to finance local development or merely to finance the running costs and allowances of forest managers? Figure 2 illustrates that the lion's share of the expenditures finances »administration«, e.g. meetings, report writing, seminars, and allowances, and »operational management«, e.g. forest patrols, escorting traders to the forest, demarcation of forest boundaries, guarding of confiscated products.

Figure 2 also shows, however, that 18 % (ranging from 2 to 40 % in individual villages) of total expenditures is used to finance village development, including transport of food aid, salary for school guards, village tractor maintenance and running costs, road maintenance, expenditures for meetings

where forest producers and forest patrol guards solve problems, primary and secondary school contributions, the construction of bridges, primary and secondary school buildings, dispensaries, and teachers' houses as well as the construction and maintenance of a water pipe between two villages. The level of such public services financed by forest revenue is fairly high when considering that an additional 16 % of the funds have been deposited in bank accounts. According to the management plan, funds thus deposited are destined to finance public services in the future.

The total registered taxation revenue collection from July 2002 to February 2006 is TSh 39.0 million of which TSh 22.1 million is accounted for in expenditure vouchers and TSh 4.3 million is deposited in bank accounts. Thus, the committees have managed to document and keep track of a fair share (67.7 %) of their transactions, in spite of initial problems with embezzlement and corruption. The majority of embezzlement cases have been resolved with the dismissal of committee members, indicating that the village level transactions are transparent to the local community, and that the local democratic channels are used to hold local leaders to account. An important mechanism in this regard is the requirement that forest committees read aloud at quarterly village meetings their incomes and expenditures. This enables the villagers to compare the number of trucks carrying forest products passing by on the road with the amounts collected by the committee.

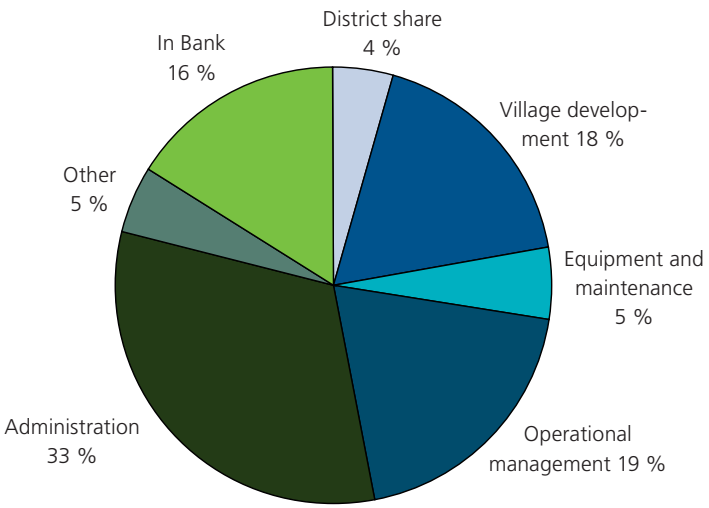

Figure 2: Use of forest revenue, 2002-2005.[2)]

The results from this study show that decentralisation of rights to collect and retain forest revenues to the village level may bring about considerable improvements in the effectiveness of revenue collection and improvements in village public finances. In addition, the fact that the results stem from villages with quite different geographical locations, resource endowments and local economic activities indicates a potential to achieve similar results in many different areas.

Charcoal is a major forest revenue earner in Tanzania.

A town-based charcoal vendor in Tanzania.

Three issues seem crucial for the system's functionality. The first is the right to retain the collected taxation revenue. In many other decentralisation processes, the rights to claim taxes fail to provide real incentives to local collection, because the collected revenue must be sent up the system and often nothing comes back. Second, the rights have been devolved to the lowest possible level ensuring that individual contributors of revenue potentially can discern product and money flows. Third, the rights have been devolved to democratically elected bodies and there has been a strong emphasis on transparency in the implementation, which ensured downward accountability.

Author

Jens Friis Lund, Assistant Professor (jens@life.ku.dk)
Danish Centre for Forest, Landscape and Planning,
University of Copenhagen

References

Chaposa 2002. *Charcoal Potential in Southern Africa*. Final Report. INCO-DEV. Contract no. ERBIC18CT980278. [online]. Cited on February 7, 2007. Available at: http://www.sei.se/chaposa/documents/final_report/Tanzania final repor_by printoutt 20colour.pdf

Koppers, B. 2002. *MEMA – Improving Natural Resources Markets in Iringa District – Part I.* Consultancy Report. K Consult. Unpublished. 14 pp.

Mallango, A. S. M. 2001. *Improvement of Forest Royalty Collection – A case study of Iringa district*. Paper presented at Makambako DNRO's Workshop 20 - 21/04/2001 by the DNRO of Iringa District. Unpublished. 5 pp.

Treue, T. 2001. *Politics and Economics of Tropical High Forest Management – A Case Study of Ghana*. Forestry Sciences 68. Kluwer Academic Publishers. The Netherlands. 212 pp.

Series editor

Christian Pilegaard Hansen
Danish Centre for Forest, Landscape and Planning
Rolighedsvej 23
DK-1958 Frederiksberg
Tel. +45 3533 1500
www.sl.life.ku.dk

Development Briefs present information on important development issues. Readers are encouraged to make reference to the Briefs in their own publications, and to quote from them with due acknowledgement of the source.

This brief is an output produced under the Performance Contract between the Danish Centre for Forest, Landscape and Planning (FLD), University of Copenhagen and the Danish Ministry of Foreign Affairs (Danida). The brief is based on the original research article: Lund, J. F. 2007. Is small beautiful? Village level taxation of natural resources in Tanzania. Public Administration and Development 27: 307-318.

[1] Tsh 1,100 ~ USD 1.0 in the period 2002-2005. The figures from before 2002 also include taxes collected from the 14 study villages.

[2] Figure 2 displays the purposes of expenditure for the TSh 26.4 million that is accounted for in vouchers or bank accounts, comprising 67.6 % of the total amount of revenue collected.