FINANCIAL OPTIONS FOR IMPROVING PUBLIC SECTOR PERFORMANCE

FOREST SECTOR REVENUE RETENTION IN THE GAMBIA

ROBERT E. HALL

OFFICE OF ARID LANDS STUDIES
UNIVERSITY OF ARIZONA

MAY 1995

Financed by the Forestry Support Program of the US Forest Service and USAID
Contract No. 58-319R-3027

TABLE OF CONTENTS

FOREST SECTOR REVENUE RETENTION IN THE GAMBIA

1. BACKGROUND TO THE GAMBIA CASE STUDY

The Gambia was selected as one of three case studies for an analysis of institutional and financial incentives for improving public sector performance in natural resources management, financed under the PARTS program through a buy-in with the Forestry Support Program. The Gambia has been selected due to the importance accorded to changing incentive structures for public sector agents and resource users through the recently initiated Agriculture and Natural Resources Program, a non-project assistance (NPA) activity. ANR project documents also call for a review of income generating potential of resource base management programs (especially forestry, but also range and agriculture) with an orientation toward intra-sectoral revenue retention. Both of these aspects of ANR are of central importance to the research priorities of this study.

Research for this report was carried out from January 24 to January 29, 1994. A previous mission to The Gambia conducted under the sponsorship of USAID/PPC/CDIE to assess the impact of USAID's environmental program on sustainable agriculture and forestry provided essential background to this report. The earlier visit was conducted in October 1993.

1.1 Objectives and Approach

The principal objective of this analysis was to provide information and recommendations regarding the technical feasibility, constraints, and opportunities for strengthening public sector performance in natural resources management (NRM) by increasing revenue flows and retaining internally mobilized revenues for use in the sector. As a consequence, the Gambia case study focused principally upon revenue generation options, financial management capabilities, and intrasectoral revenue retention issues and experience. A review of existing and proposed revenue items, including taxes, fees and charges, and commercial endeavors, was made for the key departments. Existing programming and budgeting systems were assessed, and the levels of capability and responsibility for financial management at the department and ministry level were determined.

Interviews were held with senior Ministry of Natural Resources and the Environment (MNRE) officials, the heads and technical specialists in the Departments of Forestry, Fisheries, Wildlife Conservation and Management, and Livestock, Ministry of Finance and Economic Affairs (MFEA) officials and senior staff, officials and agents in the Ministry of Local Government, and donor representatives. Pertinent legislation and technical documentation were reviewed.

2. REVENUE ENHANCEMENT OPTIONS

There are three primary means of increasing intrasectoral revenue generation: (1) adding revenue bases, (2) increasing rates and fee levels, and (3) improving assessment and collection efficiency. Each of these strategies is being actively pursued by one or more of the technical services active in NRM subsectors. However, these efforts to enhance revenue generation are not being undertaken in a coordinated or planned manner. Each department relies on what it sees as the most promising and least costly revenue handle. Implementation of most of the revenue enhancement strategies has not progressed beyond the pilot applications stage, in part due to the lack of incentive to implement a large-scale program when the control over the revenues generated would remain outside of the sector. Specific examples of revenue generation initiatives are presented below.

2.1 Range Fees and Livestock Tax Revenues

The Department of Livestock is interested in expanding the use of range fees as a means of financing local livestock services. Fees would be collected through a Livestock Owners Association, with a proportion of receipts being used by the Department of Livestock and the rest remaining with the LOA. Department of Livestock officials hold the establishment of the legal mechanisms for granting long-term leaseholds (99 years would be preferred) over clearly delimited pastoral zones to LOAs as a priority. Revenues generated from range fees and other sources could be used to "purchase" services from Livestock agents, thereby providing an incentive to agents while compensating for inadequate material and personnel support from the national budget. A range fee system is already in existence in the Dankunku area on a pilot basis and the Department of Livestock would like to extend this experience to other range management areas. This range fee represents a new revenue base, inasmuch as common property range resources have not been taxed previously.

The linkage to improved public sector performance in this case is twofold. First, a proportion of the revenues raised under the Department of Livestock proposal would be deposited in a Livestock Development Fund and managed by the Department. Priority usages would include paying for support costs of local livestock agents (housing, utilities, transportation), basic livestock treatment supplies for veterinary services, and material and equipment costs for range and livestock development interventions. The second manner by which intrasectoral revenues would benefit public sector performance is through strengthening local capabilities to manage and improve range and livestock resources. In essence, revenues collected and managed by a local LOA would allow that institution and its members to become more effective and active partners, thereby reducing the need for public agents and related resources. Service users would become active participants in the production of service benefits, rather than simply recipients of public programs.

Some Livestock Owners Associations have also recommended that receipts from the Livestock Tax be redirected to the benefit of the livestock subsector. The Department of Livestock has also expressed interest in this as a means of financing livestock-related services at the local level. It should be noted that the range fee is distinct from the Livestock Tax of three dalasi per head for adult cattle. This tax is imposed and collected by the local authorities for the Area Council budget. While the desire to capture these receipts for livestock-related services is understandable, any claim over these revenues represents a misperception of the nature of the tax. The Livestock Tax in The Gambia is essentially a proxy for a means tax or wealth tax and is assessed on those taxpayers who typically do not pay income-based taxes. Since livestock owners also benefit from the services provided by the Area Councils such as road maintenance, it is fully appropriate that they contribute to the financing of the service.

2.2 Forestry Fees and other Revenue

The forestry subsector has a number of established fees and charges for forest-related activities, from royalties (stumpage fees) for logging and hauling to woodcutting permits for local and artisanal usages. In addition, the Forestry Department commercializes some forest products, such as poles and logs for timber from forest plantations. Prior to the privatization of a saw mill financed under the USAID Gambia Forestry Development project, the Department also operated a commercial mill. A recent appraisal of the impact of USAID's environmental program in the area of forestry found that forest plantations under Forest Department jurisdiction are not exploited efficiently, nor does the department appear to be following a plantation management plan. (McClelland, 1994b) The revenue loss in the area of commercialization of forest products may be substantial and bears further investigation.

Revenue from the sale of forestry products and forestry inspectorate earnings have declined or are estimated to decline dramatically over the past three fiscal exercises, as presented in the table below. The decline in revenues comes at a particularly bad time due to budgetary austerity measures imposed by the central government.

Revenue Item	1991/92 Actual Revenue	1992/93 Revised Estimate	1993/94 Estimate
Sale of Forestry Products	----------	D 4,000	-----------
Forestry Inspectorate Earnings	D 661,510	D 500,000	D 300,000

Source: Republic of The Gambia, *Estimates of Recurrent Revenue and Expenditure 1993/94 with Estimates of Development Expenditure 1993/94.*

No explanation for the decline of revenues was provided by department officials. However, forest guards and scouts acknowledged that it was increasingly difficult to enforce license requirements and the payment of fees. The lack of effective enforcement capability, especially mobility, was cited as a leading factor. The budget figures for the sale of forestry products is particularly perplexing since the plantations established under the USAID-financed Gambia Forestry Project are of sufficient maturity to produce logs for lumber. The Forest Service has also amassed a considerable inventory of poles and posts that have commercial value.

All of these activities generate some revenues and there is every reason to believe that revenue volumes could be improved by applying either or both of the last two strategies mentioned above, namely by increasing rates and fee levels and improving collection and administration efficiency. The potential for improving revenues was recognized in the design of the Agriculture and Natural Resources project (ANR), and in fact the completion of a study of options for revenue retention and increasing forestry fees was established as one of the conditions to be fulfilled under the non-project assistance (NPA) component of ANR.

2.3 Fisheries Revenues

In some cases, improving revenue assessment and collection efficiency may result in the elimination of difficult to collect revenue items and concentration on those that offer a higher return in terms of revenue generation or that are more clearly intended to modify behavior in ways that support the priority development objectives for the resource base in question. For example, the Fisheries Department suppressed the license requirement for artisanal fishermen due to a combination of high cost of collection and low revenue yield, and high resistance to payment by fisherman, and poor enforcement. Since the GOTG actively encourages entry into artisanal fishing by Gambians, the suppression of the license fee removes a potential barrier to entry at little cost to the government. Instead, effort is concentrated on enforcing licensing requirements (and collecting fines and out-of-court settlement revenue) for local and foreign industrial fishing vessels, and respect of species restrictions, type of fishing gear or method of fishing used. Since these licensing requirements are based on NRM considerations, enforcement satisfies both the environmental and financial interests of the department.

There is considerable opportunity to improve revenue generation within the NR sector without imposing heavy economic burdens on those whose livelihood depends on exploitation and use of these natural resources bases. In most cases, however, Gambian law requires that these revenues be deposited in the general account at the national treasury. Once deposited, these revenues are used to meet national expenditure priorities and revenue effort is not directly linked to decisions regarding budget allocations in subsequent fiscal exercises. This lack of overt linkage between revenues collected and budget support for the departments that generate the revenue is a serious point of contention for service directors who feel the full force of austerity programs in forced personnel and operational cost reductions, but see no reward for improving the flow of revenues into the national treasury.

3. FINANCIAL MANAGEMENT CAPABILITY

In recognition of the need for stronger program and budget capability throughout the system, the Ministry of Finance and Economic Affairs has embarked on a process to strengthen national budget control while improving ministry-level program and budget capabilities. These measures have been introduced as part of a proposed decentralized budget system. At the same time, efforts are being made to improve department-level capabilities by establishing a Program Budgeting System (PBS) with technical support provided by the ANR project. The PBS component of ANR is a continuation of an activity initiated with the Department of Agricultural Research in the Ministry of Agriculture under an earlier AID-funded project, the Gambian Agricultural Research and Development project (GARD). Both of these initiatives are discussed in the sections that follow.

3.1 Ministry of Finance Mandated Structures

The MFEA called for the establishment of management units in each ministry "to better manage and control the planning and budget process." in a letter dated March 8, 1993 and reiterated in the 1993 Call circular of November 1993. In the letter to all Permanent Secretaries from the MFEA Permanent Secretary dated March 8, 1993, (Ref No. ADM 216/116/01) the functions of the 3-4 person management unit would be to (a) maintain personnel registers, (b) coordinate budget proposal formulation and administer the Ministry's budget, and (c) prepare monthly financial reports and assure timely and efficient accounting within the Ministry. While this process is referred to as a decentralization initiative, one effect will be to strengthen central management of revenues and expenditures while imposing a degree of order and standardization at the head (ministry) and sub-head (department) levels. The management unit would liaise with the MFEA on all matters related to the formulation and administration of the budget process. The MFEA has also recommended the creation of a "Steering Group" within each ministry to guide program development and provide support and guidance to the management unit.

This de facto imposition of mechanisms for improving budget and program systems at the ministerial level was necessitated by the lack of adequate control over revenues and expenditures exercised by most ministries. The weakness in financial management was conceded by senior ministry and department officials in MNRE. The Principal Assistant Secretary of MNRE, formerly the director of the Department of Fisheries, acknowledged that program and budget systems were very weak in his ministry. In the case of general budget accounts, for example, each department maintains its own Vote Charge Book (VCB), or general ledger showing allocations, expenditures and the nature of the expense incurred. At the present time, however, MNRE does not maintain a master VCB for all departments in the ministry, resulting in a situation where the minister is led to sign expenditure authorizations or Local Purchase Orders at the request of department directors, without being able to verify the adequacy of budget allocations for those expenditures.

Budget control is further eroded by the proliferation of "below-the-line" accounts, which are deposit accounts authorized by the MFEA and established as a numbered account by the Accountant General's Office. These accounts are distinct from the consolidated budget accounts, and allow departments to engage in expenditures that were not foreseen or otherwise incorporated into the consolidated budget allocations. In the Ministry of Natural Resources, each department has a below-the-line account. To open this type of account, it is necessary to have a source of internal revenue, such as fees or commercial receipts collected by the sector. While these receipts are recorded as entries into the general treasury, they also serve as a limited source of liquidity for special expenditures. While these accounts are audited annually, both MFEA officials and MNRE senior staff acknowledged that accounting, and hence accountability, for the use of these funds was a serious problem.

The lack of adequate financial management and accountability safeguards within ministries represents a serious obstacle to investing departments with greater revenue and expenditure authority. At this point in time, it will be most effective to support the efforts of the MFEA to improve overall program and budgeting systems before instituting intrasectoral revenue retention initiatives that would exceed departmental financial management capacity.

3.2 Program Budgeting System Initiatives

The USAID-financed GARD project helped establish a rudimentary program budgeting system in the Ministry of Agriculture. Under GARD, the system was operational only in the Department of Agriculture Research, and was to be introduced to the ministry's other departments in subsequent years. The design of the NPA component of ANR established requirements for further expansion of PBS throughout the Ministry of Agriculture and MNRE as conditionalities 4, 5, and 6 for tranche release.

While the initial evidence suggested that PBS was an appreciated innovation within the Ministry of Agriculture, it suffered from two deficiencies. First, the system was never fully implemented, even in the Department of Agricultural Research. One of the important benefits of PBS is the capacity it provides in theory to measure performance against expenditure levels. This stage of development was never attained. Second, extension of the methodology was not completed and the other departments in the ministry did not develop PBS capabilities. Without comprehensive adoption of PBS, the return to the single department that continued to use it was minimal.

Finally, as of early 1994, PBS no longer represented a priority for senior ministry officials. According to ANR staff, the Permanent Secretary of the Ministry of Agriculture stated in a public forum that he was opposed to the continued adoption of PBS within his ministry. While this position may not spell the end of PBS experimentation in that ministry, it definitely represents a low priority at the present time.

A number of considerations emerge from a cursory review of the history of PBS in The Gambia. First, for a program budgeting system to be of use, it requires a certain level of budget stability and flexibility in allocation decisions. Allocation levels must be respected and funds transfers must reflect operational considerations, such as the seasonality of some funding needs, rather than a mechanical division of allocations according to the fiscal calendar or incremental revenue collection levels. Otherwise, the program schedules will not be respected and the planning exercise will be devalued. Second, the implementation of PBS will not confer increased funding levels simply because a department is better able to justify its budget request and match funding against anticipated outputs. An operational program budgeting system may provide some benefits, but its effect will be optimal only when all departments in a ministry are at comparable stages where data can be compared across cases. Finally, simplicity of operation must be the guiding objective defining PBS design. The development of complex program budgeting systems that exceed the technical capability of the ministry and departments to implement and maintain only discourages adoption by other units of the public sector.

4. REVENUE GENERATION AND RETENTION: PROS AND CONS

Natural resource departments are uniform in their interest in retaining all or part of the monies they are able to raise within the sector from sources such as fees, service charges, and commercial activities. Wildlife Conservation and Management would like to retain park entrance fees to use for improvements to park and protected area infrastructure. The retention of receipts from the sale of brochures has also been proposed as a means of assuring the timely reproduction of brochures when stocks decline. The Department of Livestock would like to expand organized range management units and levy range fees, using some of the revenue generated to pay for livestock services and range improvement activities.

The Forestry Department is interested in retaining revenues generated in the forests, whether from royalties or the sale of wood products, to be used to finance the maintenance of forest plantations and support the operating costs of the service. Fisheries has used monies from fines, international treaties and licenses (deposited in the Fisheries Development Fund) to purchase four wheel drive vehicles, finance training programs for new and current staff, and pay for motors and equipment for fishing boats provided to recent graduates of their artisanal fisherman training program.

All of these departments see intrasectoral revenue generation and retention as the most promising mechanism for escaping the budget constraints and administrative weight of dependence on the national budgetary process. But of course there are also clear disadvantages and dangers to removing public funds from full and open public purview, as well as real financial costs attendant to any effort to decentralize financial management. Some of the more evident factors on both sides are presented below.

Revenue Generation and Retention: Pros and Cons

Pros

- Escape the inefficiencies and restrictions of the national program and budgeting system
- Provides incentive to improve administration of revenue assessment and collection
- Easier and more timely access to funding for sector priorities
- Reinforces linkage between service charge and service production
- Greater control over timeliness and quality of goods and services

Cons

- Escape systematic evaluation and respect of national political and economic priorities
- Lack of accountability and safeguards against inappropriate use of public funds
- Deprives national budget of substantial public revenue
- Creates structural inefficiencies by withdrawing public functions from the objective priority establishment and resource allocation process
- Necessitates substantial personnel and material costs for establishment of sectoral revenue and expenditure and financial management systems
- May result in a net decrease in public resource commitment to a function, in particular if the revenue base is variable and the regular budget allocation is reduced to compensate for anticipated retention levels

While proponents of revenue retention tend to emphasize the operational benefits of escaping from the national budget system, others caution that the cost of intrasectoral retention is often too high in terms of accountability for funds, economic efficiency, equity considerations, and the real costs of managing funds for technical services that lack trained personnel, equipment, and materials. There is also a highly justified concern that dependence on internally generated revenues may increase the risk of major revenue shortfalls in situations where the revenue base is volatile. This is most obviously the case for those sectors most closely tied to tourism, namely Wildlife Conservation and Management. A substantial drop in the number of visitors to the key protected areas would have a detrimental effect on the ability of the department to expand services to other protected areas and to improve existing infrastructure if WCMD depended predominately on park receipts in lieu of funding from the development budget.

Finally, there is a demonstrated tendency for "new" revenue sources to supplant or replace existing funding. This is most frequently the case for local jurisdictions where improved local revenue generation often results in lower central budget allocations. That a similar scenario would be likely in The Gambia was given weight by the statement of a senior MFEA official. After pronouncing strong dislike for all forms of extra-budgetary accounts since they represent a form of "partial budgeting", this official added that special accounts would be more acceptable if his ministry (MFEA) were able to get a firm estimate of revenue yield so as to permit them to deduct an equivalent amount from the main recurrent and development budget allocations for the head or subhead in question.

5. INTRASECTORAL REVENUE RETENTION: DEVELOPMENT FUNDS

The experience to date with sector-specific development funds based on intrasectoral revenue retention has demonstrated a number of serious structural and operational shortcomings. According to a senior official in the Accountant General's office, there are perhaps twenty-one special funds, recognized by an act of Parliament. Of these, only five are currently active at a significant level. They are: the Provincial Relief Fund, Hospital Fund, Drought Revolving Fund, Postal (Savings) Fund, and the Fisheries Development Fund.

5.1 Fisheries Development Fund

The Fisheries Act of 1991, enacted by Parliament on August 30, 1991, establishes the basis for a special account to support artisanal and industrial fishing in The Gambia. The act creates a Fisheries Development Fund (FDF), consisting of (a) 12.5% of proceeds of out-of-court settlements or proceeds from sale of forfeited items in accordance with the Act, and (b) 20% of compensation paid by virtue of fisheries agreements entered into with any country or organization. Monies appropriated by Parliament and voluntary contributions may also be deposited into the FDF, though this has not been done to date and is unlikely to occur in the near future. Part 3, 9. (3) states "The proceeds of the Fund shall be used to promote the development of fisheries in The Gambia and, in particular, to promote small scale fisheries industries and co-operative enterprises." Section 8 lists a number of activities that may be undertaken to develop the fisheries industry including the provision of training and extension, credit facilities, cooperative development, infrastructure, market development, research and survey work, international collaboration, and the development of a locally based fisheries industry.

The FDF is a deposit account opened under the Accountant General and administered by the Fisheries Advisory Committee. Revenues from the sources specified in the Act are transferred to the Special Account from the consolidated budget. The Fisheries Advisory Committee is composed of the Permanent Secretary of MNRE as Chairman, the PS of the Ministry of Industry, Trade and Employment, the PS of the Ministry of Finance and Economic Affairs, two representatives from the fishing community nominated by the Minister, and the Director of the Fisheries Department as Secretary.

5.2 Fund Management

The Advisory Committee authorizes the Director of the Department of Fisheries to make withdrawals from the Fund as needed to finance activities identified under the Act. The Director is responsible for carrying out the provisions of the Act. He is to keep and update plans for the management and development of inland and marine fisheries in the fisheries waters. The Director prepares an investment program for the FDF which he is to implement once it has been approved by the Fisheries Advisory Committee.

A review of the history and current status of the Fisheries Development Fund revealed that while the legislative basis of the fund is sufficiently explicit, the oversight and management functions are not carried out. The oversight structure does not meet regularly, nor does it exercise real control over either the program priorities or the actual utilization of monies in the fund. The composition of the Advisory Committee, while it indicates a high level of political support, is not realistic since it would be highly unlikely that the Permanent Secretaries who are members would be able to commit adequate time to review documentation and meet to perform the oversight function. As a consequence, the tendency is to designate a representative for the PS who assumes the symbolic role but lacks the hierarchical authority needed to fulfill the objectives of the Committee.

Those responsible for the direct management of the fund, namely the Director of the Department of Fisheries and his staff, were unable to provide a summary accounting of the amounts deposited and usage of the fund. No concise record of expenditures exists, nor was the managing department able to state with any certainty the amount of money deposited in the fund. The principal expenditures to date, according to department officials, were for the purchase of four four-wheel-drive vehicles in 1991. One of the four vehicles has been retained for use by the ministry while the remaining three were in use by Department of Fisheries staff. Prior to the purchase of these vehicles, the department reportedly had no operating vehicles reserved for their use.

5.3 Fund Autonomy

While the Fisheries Development Fund was established as a legal reserve of monies distinct from national budgetary allocations, control of the fund is held by an external agency in the form of the Accountant General's Office. Access to monies in the fund was restricted on at least one occasion by decision of the Accountant General's office, allegedly because of what was described as a "short-term" lack of liquidity in the National Treasury. According to a memorandum from the Auditor General, the 2.5 million dalasi that had accumulated in the account of the FDF had been "compressed" and was no longer accessible to the director of the Fund, despite an approved program of development investments. A reduced amount, 300,000 dalasi, was made available at a later date. According to senior staff in the Accountant General's office, the money still existed in the FDF account, "it just isn't available for expenditure". This de facto confiscation of fund resources, while perhaps understandable in emergency conditions, underscores the weakness inherent to this mechanism and the danger that a lack of adequate autonomy may pose to the timely and efficient expenditure of such revenues for important sectoral investments.

The principal weakness of the FDF in terms of fund autonomy is its placement under the Accountant General's Office and status as a deposit account within the national treasury. As such, access to FDF resources is subject to the liquidity conditions of the national treasury at the time of a specific expenditure request. While the formal obligation of the Accountant General is to insure that adequate funds exist in the FDF for planned expenditures, experience shows that national budget authorities make full use of FDF resources without regard to the legal basis and approved usages of the fund and fund resources.

The obvious remedy for this physical commingling of funds is the opening of a commercial account into which fund revenues are deposited upon receipt. While this option may eventually be desirable, it is not recommended at the present time given the lack of adequate financial management capacity within the Department of Fisheries and the lack of clear mechanisms for supervision and oversight of fund utilization. If these constraints were addressed and resolved, the FDF could become a more functional tool for programming investments in the fisheries subsector.

6. REVENUE RETENTION BY COMMUNITY-BASED RESOURCE MANAGEMENT GROUPS

There is growing awareness among donors and within the government that popular involvement in resources management is necessary to halt and reverse the rate of natural resources degradation in the Gambia. This has led to a number of pilot efforts to enhance community control over a key resource, such as a natural forest area or range. In two of the efforts discussed below, revenue generation and retention was a key element tied to the sustainability of the local institutional arrangement.

6.1 Range Fees in the Dankunku Pilot Project

The UNDP-supported Rangeland and Water Development Project (1986-92) in Dankunku and Niamina West districts represents the first large-scale attempt to institute a modern system of local resource management that incorporated the concept of user fees as a revenue generating mechanism. From its inception, this project has emphasized community participation in the management of the common-use range area used by livestock owners in the two districts. In addition to the approximately 8,000 hectares of degraded range, a 1,150 ha. area has been fenced in Niamina West and 2,050 ha. in Niamina Dankunku District, and placed under the management of the Livestock Owners Association. While the Rangeland and Water Development project has effectively demonstrated the positive results of placing more responsibility and authority for management of the resource base in the hands of resource users, there have been some problems. The twelve person LOA management committee was disbanded in 1993 due to problems related to financial management and the misappropriation of LOA funds. As an interim measure the range area was placed under the management of a five person executive committee.

The self-financing aspect of the project has not been able to generate the level of receipts required for replacement and maintenance of necessary equipment, and some of tasks that require considerable labor commitment, such as establishing a firebreak around pastures, have not been accomplished. Nevertheless, the model is being adapted for other areas, with the objective of creating Integrated Range Management and Livestock Association schemes in every district within the MacCarthy Island Division in the coming years. (McClelland, 1994a)

6.2 Community Resource Management Agreements for Natural Forests

The German technical assistance program (GTZ), in cooperation with the Gambian Department of Forestry, has initiated pilot activities in the area of community forestry in 1989 and, in 1991, a community forestry management agreement was signed between the community of Brefet and the Government of The Gambia. The agreement was based on thorough public discussions with the community and includes a comprehensive forest management plan. Along with the authority to manage the forest area are special exonerations from forestry license fees, a prohibition on the granting of licenses to outsiders, and the right to collect and manage revenues generated from the sustainable development of the resource base. Unfortunately, no data were available on the actual cost savings or amount of revenue generation that occurred as a consequence of this agreement.

Similar community forest management arrangements are underway with other communities in the same area. A forested area known as the Kazilla forest is under joint management by three villages that have traditionally had access to the forest resources. This joint effort by Brefet, Demba, and Bessi is of particular interest and sensitivity since it will require careful working out of competing claims over resources. Save the Children Foundation/US has initiated an integrated development program in the community of N'Jawara that includes massive tree planting and the establishment of a nursery for seedlings, along with other soil and water conservation measures.

The USAID Agriculture and Natural Resources Support Project has given special priority to the establishment of Community Resource Management Agreements (CRMA) in forestry, agriculture and range management. The CRMA is viewed as a key instrument allowing communities to assume management control of, and benefit financially from, local land-based resources. The adoption of this instrument reflects a fundamental change, or evolution, in USAID's perception of the role of rural populations in resolving environmental conflicts and halting degradation of the resource base. Experience in The Gambia has demonstrated that rural populations are best acknowledged for their contributions as producers and resource users, and as a consequence of this redefinition, the focus has changed from simple participation to local management and empowerment.

7. CONCLUSIONS

The institutional and financial mechanisms available to improve performance incentives in the natural resource sector in The Gambia are limited most critically by two factors: (a) the lack of adequate institutional (personnel, technical, material) capacity to manage effectively a greater degree of financial and operational autonomy, and (b) the lack of adequate financial means and clear economic justification for recommending any substantial level of intrasectoral revenue retention on the part of line technical services. Capacity should precede activity, in this case meaning that top priority must be placed on developing sound financial management systems at the ministry level, followed by the institutionalization of a simplified programming and budgeting system before any additional transfer of authority for revenue retention is contemplated.

The Gambia is a small country, both in terms of population and area, and has a correspondingly small public service. Line ministries are staffed by dedicated and capable employees, however, administrative, policy and management capacity is generally weak and markedly so in the natural resources subsectors. Personnel hierarchies are shallow, with only one or two key officials (usually a director and his deputy) able to present a comprehensive view of the service and empowered and capable of taking policy decisions. Since financial management functions have been centralized under the Ministry of Finance and Economic Affairs (MFEA) little capacity exists to assure even minimal financial control at the level of the technical service, and the situation is not substantially better at the ministry level. The cost of developing this capacity at the department level (i.e. for a specific technical service such as forestry or fisheries) in terms of personnel, equipment, administration and communication may be expected to exceed by far the modest stimulative effect that greater budgetary and financial autonomy might provide. Furthermore, under current budget constraints, any financial personnel recruited to develop this capacity will have to be drawn from existing staff levels.

However, revenue retention when coupled with institutional reforms that transfer management responsibility to organized groups of local resource users should be considered to the extent that there will be a clear advantage to the public sector by discharging operational tasks and retaining regulatory responsibility. In such cases the actual loss to the national treasury is minimal, financial management responsibility lies with the user organization, and the public sector is better positioned to focus more on the regulatory functions of natural resources management rather than personnel intensive and often inefficient service production activities.
Substantial progress can be made in stimulating revenue generation within the NR sector, in improving budgetary and financial management capabilities at the ministry level, and in strengthening the negotiating position of the principal line agencies involved in natural resource management in the national budget allocation process.

Intrasectoral revenue retention by technical services, however, is premature. The interest in revenue retention on the part of most technical services is based on a desire to escape central budgetary and financial management procedures. Further uncoordinated decentralization of public revenue and expenditure activities at a time when the GOTG is attempting to instill strong budgetary management across all branches of the public service would be counterproductive.

At this time, it is suggested that MNRE officials develop a candid dialogue with senior budget and finance staff regarding the interest of the natural resources subsectors in improving revenue generation as long as there is recognition of their efforts in the form of increased budget allocations for sector priorities. This will require the ministry charged with natural resources and environmental management to develop a coherent approach to revenue mobilization and management as well as to lay out clear sector priorities for the ministry in this area. A similar approach should be followed in the Ministry of Agriculture for at least two key NRM units, the Livestock Department and the Soil and Water Management Unit.

This strategy has two advantages. First, it will require the ministry to take a stronger role in financial management in general and in the determination of revenue generation approaches, mechanisms, and cost levels. Revenue measures are rarely neutral and generally have important effects on behavior. Departments that are simply seeking to maximize revenue may initiate policies that have serious deleterious consequences. At the present time, revenue generation is highly compartmentalized by department, with no clear coordination or coherence offered by the central ministry. This allows for slippage and may lead to a lack of accountability on the part of departments that have neither adequate technical personnel nor experience in tax and fee administration or commercial revenue activities.

Second, from a very practical standpoint, the Ministry of Finance does not favor the creation of extra-budgetary accounts or other mechanisms that remove public resources from the national budgetary and financial management system. The first priority for this ministry is to institutionalize sound consolidated account management by (a) clearly accounting for all public revenues in the consolidated accounts and (b) improving program and budgeting capabilities at the ministry level. This is a sound strategy, and the natural resources sector would be well advised to adopt it as part of their strategy for improving financial management capacity.

The creation of special funds such as the Fisheries Development Fund in other NRM subsectors is not recommended at this time. The Department of Forestry clearly lacks the ability to manage current revenue collection functions and commercial activities. The Department of Wildlife Conservation and Management has only one significant source of internal revenues at this time, namely Abuko Nature Reserve. While WCMD has expressed interest in greater institutional and financial autonomy, the small size of the subsector recommends against creation of a semi-autonomous structure such as a wildlife parastatal. The Department of Livestock has no real economic base for the creation of such a fund, and should focus more on improving economic prospects for livestock producers, thereby allowing the latter to move toward a fee-for-service system and eventual privatization of most livestock service functions.

The greatest danger of a proliferation of special funds under subsectoral management is that it will create an image of financial self-sufficiency, resulting in a displacement of national budget support for the development and protection of what are in large part public goods. Furthermore, revenue retention without adequate financial management capacity and safeguards would be irresponsible and could result in actions that would undercut the public image and public support for the departments in question. Finally, a proliferation of special accounts would tend to strengthen the autonomy of individual services at a time when integrated actions are required for effective environmental and economic planning.

WORKS CONSULTED

Brinkerhoff, Derick W. and Arthur A. Goldsmith, eds. *Institutional Sustainability in Agriculture and Rural Development.* New York: Praeger Publishers, 1990.

Israel, Arturo. *Institutional Development: Incentives to Performance.* Baltimore: The John Hopkins University Press, 1987.

Kuyateh, Kekoi and Frank Cajthaml. *Department of Wildlife Program Budgeting System, PBS Systems Manual 3,* (Draft). ANR Project, USAID, The Gambia, January 1994.

McClelland, Donald with Robert Hall, Chris Seubert, and Mary Young. (1994a) *Forestry in The Gambia: An Assessment of the Environmental Impact of A.I.D. Programs.* Washington, D.C.: USAID Center for Development Information and Evaluation, May 1994.

McClelland, Donald with Robert Hall, Chris Seubert, and Mary Young. (1994b) *Sustainable Agriculture in The Gambia: An Assessment of the Environmental Impact of A.I.D. Programs.* Washington, D.C.: USAID Center for Development Information and Evaluation, May 1994.

Picard, Louis A. and Michele Garrity, eds. *Policy Reform for Sustainable Development in Africa: the Institutional Imperative.* Boulder, Colorado: Lynne Reinner Publishers, 1994.

The Gambia. Estimates of Recurrent Revenue and Expenditure 1993/94 with Estimates of Development Expenditure 1993/94. The Gambia, 1993.

The Gambia. Fisheries Act, 1991. August 30, 1991.

The Gambia. *Guidelines for the Preparation of the 1994/95 Establishment, Recurrent and Development Budget Estimates, and Non-Tax Revenue.* Min. of Finance and Economic Affairs, November 30, 1993.

USAID. Program Assistance Approval Document: Agriculture and Natural Resources (ANR) Program. Banjul, August 14, 1992.

PERSONS CONTACTED

Gary Cohen	USAID, Head, Agriculture Development Officer
Amare Getahun	Chief of Party, ANR Project
Cherno Joof	Principal. Asst Sec., Min. of Nat. Res. & Envir. (MNRE)
Foday Bojang	Director, Department of Forestry, MNRE
Abdoulaye Dansoe	Deputy Director, Department of Forestry, MNRE
O.K.L. Drame	Director, Department of Fisheries, MNRE
Austin Jones	Monitoring, Surveillance and Control Unit, Fisheries
Frank Kooistra	Technical Advisor, Finance and Economic Affairs (MFEA)
Neil Campbell	Technical Advisor, MFEA
Binta Janneh	Macro-economic and Financial Analysis Unit, MFEA
Fatima Jallow	Assistant Accountant General, MFEA
Yusupha Dibba	Deputy Perm. Sec., Local Government & Lands (MLGL)
Sanko Sheriff	Local Government Inspector, MLGL
Dr. Camara	Director, Dept of Wildlife Conservation and Management