SELF FINANCING SCHEME OF SIND FOREST DEPARTMENT - AN ASSESSMENT

Finance constitutes life blood of production. Materials and services needed for carrying out diverse production operations have to be paid. If adequate and timely funds are not available the projects get strangulated seriously jeopardising the objectives. This also tends to raise the unit cost of production. Such a situation is especially deleterious in the case of forestry where timely completion of various operations is of critical importance. If funds are not made available in time, the operations have to be put off till the next year meaning thereby loss of valuable time so necessary to make a programme fully operative and productive.

Conventional System of Financing in Forestry Sector

Forests are a provincial subject in Pakistan. Management and development of forest resources is primarily the responsibility of provincial forest departments. In order to enable them to carry out their functions, the forest departments are allocated funds annually from the provincial budget. This system entrusts control and planning of the budget to the Finance Department which like a conscientious housewife always tries to cut down the expenditure. As a result, the forest departments always get funds much short of their requirement. Moreover, actual receipt of the funds is almost invariably delayed. On account of these factors, the forest departments remain handicapped and the full potential of the available resources is not harnessed.

Sind forest department suffered more heavily than the other departments because of the low and fluctuating budget allocations. Sowing, planting and felling operations in Sind are all connected with flooding in river Indus, as most of the forests are situated within the river banks and the protective embankments. Some operations are to be completed just before the onset of floods and others during and after flood water recedes. The procedural difficulties encountered in getting the funds released from the Finance Department would invariably jeopardize timely completion of these operations. Because of low allocations it had almost become almost impossible to carry out thinning and felling operations according to prescriptions of the forest management plans. Quite often considerable forest chunks were lost to the floods as ‘erosion strips’ could not be taken up to clear the threatened areas. A classical example was the inability of the department to salvage hundreds of wind fallen or flood up rooted trees for want of funds and valuable wood lay waste to rot in the forest. However, the Sind forest department not merely spends money but it also earns it. It makes a handsome contribution to the provincial revenue. Its revenue usually exceeded its expenditure but that was not considered enough. Lot of exploitable capital was locked up depriving the exchequer of much needed resource. Accordingly a proposal was made to the Government to free the forest department from the shackles of Finance Department allowing it to run on self financing basis so that it could recycle its revenue receipts to meet its expenditure. The proposal was accepted and the self financing system was launched with effect from 1st September, 1978. To give the venture a reasonable start Rs.5. 445 million were released by the Finance Department as 25% of the loan instalment. The programme got off to such an excellent start that not only more loan was not taken but also even the first instalment was paid back within nine months.
Features of New System

Under the self-financing system, the Drawing and Disbursing officers of the Forest Department remit all revenue collected from sale of timber, firewood, grazing and other sources to the Budget & Accounts Officer (Forests). The latter releases funds on quarterly basis according to budget allocation approved by the Finance Department and the annual and quarterly plans of operations decided by the controlling field officers. Thus the middleman agency of Finance Department has been eliminated and the control and planning of budget has shifted to the Forest Department. It is now free to re-cycle its revenue according to its legitimate technical requirements in pursuit of its policy and objectives.

Impact

The impact of self-financing system on the over-all working of the Sind forest department has been very desirable. The pace of forest management operations has been accelerated and the commercial potentialities are being fully exploited.

Revenue

The gross revenue earned by the Sind forest department had shown upward trend after the introduction of self-financing system. In 1977-78, the gross revenue amounted to mere Rs.20.9 m. It has increased to Rs.36.0 million in 1981-82. Thus it has grown at an average annual rate of 14.6 per cent.

Expenditure

The expenditure has also exhibited an upward trend. It has increased from Rs.11.0 m in 1977-78 to Rs.26.24 million in 1981-82. The average annual rate of growth has been 24.7 per cent. This is quite natural. The increase in expenditure shows that the department is now ploughing back a larger proportion of its revenue in the best interest of forestry in the province, and in the process has streamlined the management of its resources.

Net Revenue

From a meager Rs.6.1 million in 1978-79, the net revenue rose sharply to Rs.14.8 million in 1979-80, and remained steady at this level in 1980-81. It dropped to Rs. 9.8 m in 1981-82 due to sizeable increase in expenditure, the amount which was spent to raise more forests. Because of long production period, the benefits from investments will be realized after some time. It is, therefore, expected that the net revenue will increase substantially in the future.

Employment

On account of expansion in forestry operations, the employment opportunities have increased substantially. Moreover the labourers have got the assurance that jobs will now remain available to them on regular basis and timely payments would be made to them.
Efficiency

The over-all performance of the Forest Department has improved considerably. It can carry out operations according to its plan based on well conceived priorities, make use of the profitable opportunities existing in the field of forest utilization and marketing of forest products, and ensure scientific management of forests for sustained benefits in perpetuity.

Conclusion

With the passage of time this novel adventure has turned out to be an unqualified success and many other departments are planning to emulate the Sind experience.

EDITOR