15 Years of Economies in Transition: Lessons Learned And Challenges Ahead for the Forestry Sector

A contribution to the work of the UNECE Timber Committee and the FAO European Forestry Commission

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The paper analyses the outcomes of the transition process in the forest sector which those European countries which previously had centrally planned economies have been undergoing over the last 15 years. It presents an overview of international activities fostering the transition process, carried out within the UNECE/FAO integrated programme of work. The decisive role of MCPFE is recognized: the adoption of Resolution H3 is considered a milestone of international cooperation. The results of its implementation are presented. Cooperation was focused mainly on capacity building, dissemination of knowledge and information, education, training, and transfer of know-how as well as policy and strategy improvement. The main forms of cooperation were study tours, workshops, seminars, exchange of experts and other forms of education. The outcomes and recommendations of several workshops are analyzed in detail.

The Joint UNECE/FAO Team of Specialists to monitor and develop assistance in the forest sector and the implementation of the H3 resolution focused its activities on three main areas of assistance: institution building and framework conditions, building of the legal and policy infrastructure; activities related to the development of market oriented and ecologically sound enterprises; and issues of general importance for the protection of forests, forest conservation and sustainable development.

The second phase of the cooperation in the transition process has been approved by FAO EFC and UNECE TC during the strategic review of their Integrated programme of work for 2004-2008. A new “Strategy for FAO and UNECE forestry and timber activities in the CIS and south east Europe” for the period 2005-2010 has been adopted. The tasks of a new UNECE/FAO Team of Specialists on support and contribution to sustainable development of the forest sector in the CIS and South East Europe are presented. Finally, the paper presents the possibilities to transfer lessons learned and experience from the countries which have made more progress in the transition process to less advanced countries as well as the challenges ahead for international cooperation.

Keywords
countries in transition, forest policy, forest management
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Preface

The last 15 years have seen deep and sudden change in the forest sector of central and eastern Europe, resulting from the collapse of the centrally planned system. Forest sector actors – owners, industrialists, professionals and policy makers – have had to transform their way of thinking and acting, rapidly adapting the policies and institutions of the sector to the changing economic and social environment. Some countries have successfully negotiated a decade and a half of rapid change, others are still only beginning the process. These transformations have also had an international dimension, as countries outside and inside the region have offered assistance. Increasingly, those countries who pioneered the process, many of whom are now members of the European Union, are seeking to share their experience. International organisations including the FAO, the UN Economic Commission for Europe, and the Ministerial Conference on the Protection of Forests in Europe have sought to encourage this process. The FAO European Forestry Commission (EFC) at its thirty third session in Slovakia in May 2006 is discussing the lessons learned and challenges ahead for the sector after 15 years of transition.

Associated Professor Ján Ilavský, Chair of the EFC and a leading academic in this area, has undertaken to describe the events and ideas over this period. He is uniquely well qualified for this task as a policy adviser and an active leader of international action able to provide a national Slovakian viewpoint as well as an international one. The Finnish Forest Research Institute METLA has kindly agreed to publish Associated Professor Ilavský’s paper as valuable input to the EFC session.

The ECE/FAO secretariat in Geneva expresses its warm thanks to Associated Professor Ilavský and to METLA for this valuable contribution to the international understanding of these fundamental developments.

Kit Prins
Chief UNECE/FAO Timber Section
List of acronyms

CBA  Cost-Benefit Analysis
CEE  Central and Eastern Europe
CEEC  Central and Eastern European Countries
CIT  Countries in Transition
EU  European Union
EFC  FAO European Forestry Commission
EFSOS  European Forest Sector Outlook Study
FAO  Food and Agriculture Organization of the United Nations
FRA  Forest Resources Assessment
IUFRO  International Union of Forest Research Organizations
MCPFE  Ministerial Conference on the Protection of Forest in Europe
NGOs  Non-Governmental Organizations
PHARE  EU Programme of Community Aid to the Countries of Central and Eastern Europe
SAPARD  EU Pre-accession Aid to Agriculture
SEE  South East Europe
SFM  Sustainable Forest Management
TCP  FAO Technical Cooperation Programme
TC  UNECE Timber Committee
ToS  Team of Specialists
UNECE  United Nations Commission for Europe

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1 Introduction

A political movement at the end of the 1980s led to substantial changes of the political map of Central and Eastern Europe. New countries were established after the disintegration of several states. The former centrally planned economies started a new process of transition towards market economy conditions. The symptoms of the transition process in almost all the countries were similar, characterized by considerably shrinking economies, increasing social tensions and difficulties in establishment of a democratic and politically stable society.

Despite many similarities, the transition process in the particular countries was also influenced by a different level of initial economic development, actual political situation, cultural backgrounds, national habits, etc. Also different natural conditions, climatic differences, amount of forests, forestry traditions, state of wood processing industries, role of the forest sector in the national economy and some other issues have had to be taken into consideration during the transition process of the forest sector.

The forest sector represents one of the most important sectors in many of the countries concerned. Forests and other wooded land cover 980 million hectares of the region (including Russia), which is about one fourth of the world’s total forest area. Forestry is an important sector in the majority of countries due to the extent of their forests. Forests are important as an economic factor, producing wood and non-wood resources for industrial development, exports, employment and income. However, their contribution to environmental stability, biodiversity conservation, their social, cultural, recreational and other non-productive functions are of even higher importance. Therefore there was an urgent need to analyse and to understand the impacts of all political, economic and social changes on the forest sector as an important segment of the process of transition to the market economy.

The paper presents an overview of the main activities of international cooperation with countries in transition carried out in the framework of the integrated programme of work of the FAO European Forestry Commission and the UNECE Timber Committee, in close cooperation with the Ministerial Conference on the Protection of Forests in Europe. The paper does not have the ambition to present a complete list of actions, because such a list does not exist. Neither the list of the technical cooperation projects (TCP) conducted by FAO in almost all of the transition countries nor the list of bilateral projects between countries in transition and the donor countries and agencies have been taken into account. The outcomes of the cooperation listed below were adopted by several workshops, seminars and other meetings organized under the auspices of the above mentioned bodies. Proposed future actions and challenges ahead have been partly taken from the conclusions and recommendations of the above mentioned meetings and partly represent an expert opinion of the author. The report has been conducted thanks to the support of the Finnish Forest Research Institute as one of the outcomes of the research project “Comparative studies on forest policies and structural changes in the forest sector of selected Central and Eastern European countries”.

2 International support to the transition process in forestry

The international community recognised already at the beginning that the process of transition could be much shorter, less painful and more successful with the help of intra- and inter-regional cooperation. The international collaboration was at the beginning focused mainly on the identification of the state of affairs in the forest sector of particular countries. Several donor agencies and donor countries financed studies focused on collection of basic information on the forest area, growing stock, increment, allowable cut, production and consumption of wood and wood products, ownership structure, institutional structure, legislation, etc. Studies often overlapped each other, were elaborated by different specialists based on different background information sources and thus, in some cases, also different outcomes occurred. FAO initiated and financed comprehensive Country Profiles in almost all transition countries. Because of several decades of isolation, it was necessary to collect all that information before any decisions on possible ways and means of cooperation could be done. The studies showed an extremely wide range of specific conditions and problems, countries had been faced with in the transition process. Due to the different factors internal to forestry, as well as external factors directly or indirectly influencing the forest sector, the most important and difficult part of the transition process was the identification of main common forestry related problems and strategies to overcome them at which the international cooperation should be focused.

Several important meetings which helped to set the scene for international cooperation could be identified.

One of them was the 1st Ministerial Conference on the Protection of Forest in Europe (MCPFE) held in Strasbourg in 1990. This was the first time that Central and Eastern European countries had the opportunity to be involved in broad international cooperation, based on adopted resolutions, in such important issues as monitoring of forest ecosystems, conservation of forest genetic resources, data bank on forest fires, management of mountain forests, research on tree physiology and forest ecosystems. Almost all transition countries were signatories of those resolutions and actively participated in their implementation.

Specifically the strengthening of the transition process in the forest sector was on the agenda at the meeting in Ossiach, Austria in September 1992, where participants from western countries as well as from countries in transition first jointly identified major programme areas for assistance in the forest sector as follows:

- Building of legal, policy and institutional infrastructure and framework conditions for sustainable development of the forest sector
- Development of market oriented and ecologically sound enterprises
- Issues of general importance for forest protection, forest conservation and sustainable development.

These two events paved the road for closer collaboration, series of meetings/events and most importantly for the collaboration process. The next chapters provide more detailed information and analysis of this process.
3 Adoption of the MCPFE Resolution H3 – a milestone in the international cooperation with the countries in transition

The adoption of the Resolution H3 at the 2nd MCPFE in Helsinki in 1993 on Forestry Cooperation with Countries with Economies in Transition, in which signatory countries committed themselves to provide forestry assistance to countries with economies in transition, was the most important step forward in the international cooperation. The Resolution encouraged Countries with Economies in Transition (CIT) to promote actions for the sustainable management of forest resources as well as signatory states and European Community to support and complement these actions, based on the principle of partnership and taking into account the needs, priorities and commitments of the CIT themselves. Cooperation was expected in the form of transfer of knowledge and of bilateral and multilateral projects, focused on technical, scientific, institutional and legal matters. The Resolution stressed the importance of an adequate assessment of the forest resources and of the environmental impacts before initiating cooperation projects. As the main areas of cooperation were identified particularly: strengthening of institutions, development of legal and policy framework for the sustainable development of forestry and the forest products sector and support to development of market oriented and ecologically sound enterprises [10], [12].

The Resolution H3 as adopted by the 2nd MCPFE in Helsinki is published on the following page.
A. Recognising the importance of the forestry sector to Countries with Economies in Transition, in relation to the development of their political, economic and social conditions as they adjust their former centrally-planned economies to market economies,
B. Being aware of the possible consequences of the economic transformation process in the Countries with Economies in Transition for the sustainable management of forests and for forest conservation,
C. Emphasising the increasing need for broadly-based bilateral and multilateral cooperation in the forestry sector, and noting with appreciation the existing cooperation and the activities, at national, regional and interregional levels, of programmes and organisations, including the Commission of the European Community, which are involved in cooperation with Countries with Economies in Transition,
D. Emphasising the need for initiative and priority-setting by the Countries with Economies in Transition to promote European cooperation which benefits the forestry sector in general,
E. Recalling the results of the Dobris (Czechoslovakia, 1991) as well as of the Luzern (Switzerland, 1993) conferences of European environment ministers, and in particular the Environmental Action Programme for Central and Eastern Europe,
F. Being aware of the generally adverse impact on the management, conservation and sustainable development of forests in Countries with Economies in Transition arising from air pollution, loss of biodiversity and genetic resources, fires and lowered ground water tables and, in certain areas, nuclear radiation,
G. Noting that requests have been made for assistance in the monitoring of forest resources, especially in relation to their state of health over large areas,
H. Recognising the particular importance of programmes to support Countries with Economies in Transition in their endeavour to protect their forest resources and biodiversity and the need to enhance sustainable development of their forest and forest products sector.

1. Countries with Economies in Transition should be encouraged to promote actions for the sustainable management of forest resources, in conformity with the General Guidelines developed in the resolutions of the Helsinki Ministerial Conference.
2. The Signatory States and the European Community should support and complement these actions, based on the principle of partnership and taking into account the needs, priorities and commitments of the Countries with Economies in Transition themselves.
3. Cooperation may take the form of transfer of knowledge, and of bilateral and multilateral projects, and should focus on technical, scientific, institutional and legal matters.
4. Within bilateral contacts, twinning arrangements should be promoted between institutions such as universities, vocational schools and research institutes as well as between individuals.
5. Cooperation should be further developed in particular in the following areas: strengthening of institutions, development of the legal and policy framework for the sustainable development of forestry and the forest products sector; and, in this context, activities to support the development of market oriented and ecologically sound enterprises.
6. Adequate assessments of forest resources and of environmental impacts should take place before initiating cooperation projects which are likely to have major consequences for the transboundary environment, in accordance with the ECE Convention on Environmental Impact Assessment in a Transboundary Context (1991).
7. Countries should develop, by mutual cooperation, information exchange and monitoring systems related to transboundary factors causing forest damage and forest decline, such as air pollution, fires, nuclear radiation, game and others; and should cooperate in preventing and combatting damage from such harmful agents.
8. Where coordination of multilateral cooperation initiatives is necessary, this should be done by existing institutions.
9. The member countries of the ECE, FAO, UNEP, UNDP, World Bank and EBRD, as well as the European Community, and the international Non-Governmental Organisations should consider activities aiming at promoting progress in the topics mentioned in the General Guidelines.
10. The Signatory States and the European Community will promote the transfer of knowledge, bilateral and/or multilateral contacts, mutually beneficial joint research projects and the preparation of national forest programmes.
11. The Signatory States and the European Community will promote professional contacts, the transfer and publication of information, documentation and professional literature, exchanges of experts and students, educational workshops, seminars, conferences, training courses and other forms of education, with the participation of groups of specialists from Countries with Economies in Transition and from European countries with market economies.
12. The Signatory States and the European Community agree to support existing efforts aimed at promoting the development of the national forestry databases of Countries with Economies in Transition and their linkage to existing European databases.
4 UNECE/FAO's leading role in the implementation of the Resolution H3

The FAO European Forestry Commission (EFC) and the UNECE Timber Committee (TC) took the initiative to strengthen the implementation of the Resolution H3 by the commitment to monitor the implementation and to review periodically the whole program of assistance to ensure it was in accordance with countries’ needs, as well as effective and efficient.

The role of different international bodies and organizations, as well as decisions made during the first years of the cooperation were analysed in detail in the third interim report on the implementation of H3 resolution published as Geneva Timber and Forest Discussion Papers „Forestry Cooperation with Countries in Transition“ ECE/TIM/DP/28 [5]. This information is not repeated here.

However it should be stressed that the decision to establish the “Joint UNECE/FAO Team of specialists to monitor and develop assistance in the forest and forest products sector” (ToS) made by the 50th session of the UNECE Timber Committee in 1993 was crucial one to foster the cooperation. The mandate of the ToS was completed end of 2004.

4.1 Joint UNECE/FAO Team of Specialists to monitor and develop assistance in the forest and forest products sector

The Team had its inaugural meeting in 1994. The mandate of the ToS was as follows:
- to review periodically (in two-three years intervals) the whole programme of assistance
- to ensure that it was in accordance with countries’ needs
- to contribute to effective and efficient way of assistance
- to develop ways of co-operation
- to make recommendations to UNECE/FAO
- to monitor and to coordinate the implementation of the Resolution H3.

The following priority programme areas and themes for assistance were identified [1]:

**Programme area I**

*Institution building and framework conditions, building of the legal and policy infrastructure for sustainable development of the forestry and forest products sector.*

- Development of forest policy (application, monitoring)
- Information systems for policy formulation and administration
- New role of the state (all functions)
- Strengthening forest services
- Education, training, research
- New role of people (forests owners, users of forest products)
- Legislation and legal aspects
- Ownership issues (structure, privatization, restitution)
- Valuation of forests, including non-wood goods and services
- Financial support aspects for the development of the forest sector
- Other economic aspects
- Taxation
- Forest health assessment
- Occupational safety and health
Programme area II

Activities related to the development of market oriented and ecologically sound enterprises in the forestry and forest products sector.

- Organization of associations of private sector enterprises
- Price formation for roundwood and forest products and cost calculation
- Marketing skills and market organisation
- Public relations issues
- Documentation and information bases on market developments
- Management, skills
- Accounting systems
- Extension
- Joint-venture agreements

Programme area III

Issues of general importance for the protection of forests, forest conservation and sustainable development of the forest sector and issues of concern for individual countries or groups of countries have to be identified in the process of the implementation of the activities related to the programme areas I and II.

The team recommended the organization of seminars, workshops, courses, exchange of experts, elaboration of various joint bilateral and multilateral projects, including research projects as the main methods of work. The special value of cooperation between countries in transition themselves, notably by exchange of experiences, but also through joint projects was stressed. Information on the main outcomes and recommendations of the Team are provided in chapter 9.

5 Outcomes of the first phase of the international collaboration and its contribution to the transition process

A number of workshops, meetings, study tours, exchanges of experts and other activities were organised by the H3 signatory countries and donor organisations, reflecting the specific needs of the countries in transition.

FAO and UNECE gave high priority to this assistance in their regular programmes, providing a forum for analysis of development and identifying the needs and future projects. FAO has played an important role in international support to the transition process by launching a series of Technical Cooperation Programme (TCP) projects in almost all CITs, focused on support in drafting new forest policies and national forestry related legislation, capacity building, institutional infrastructure improvement and national forest programmes elaboration.

There was an urgent need, at the beginning of international cooperation, to describe the state of affairs in the forest sector of CITs, to identify main gaps and needs for assistance of individual countries and the best forms of cooperation. The European Commission decided to finance a study on the forest sector in Central and Eastern European countries, based on national reports and consultations with national correspondents, considered the various factors affecting the forest sector of the countries concerned. The multi-country PHARE project proposal on “Sustainable forestry and forest biodiversity conservation in Central and Eastern Europe” was
designed to be implemented in two phases. The first phase aimed at detailed analysis of the forest sector in thirteen CITs and at identification of priorities for international cooperation. The study when completed was the most comprehensive on the forest sector in CIT [3]. The second phase would have prepared specific projects, including investment projects, for particular countries, based on the priorities identified in the first phase. Unfortunately, the second phase was not approved due to the new approach of the EU to the PHARE programme which was based on the priorities defined by each country. Because the forest sector not identified among the highest priorities by any CIT, there were only a few and small projects in forestry financed from the PHARE programme. The same situation occurred in the case of the SAPARD programme during the accession process of eight countries of Central Europe to the European Union.

Progress in the international cooperation and its outcomes have been evaluated several times and were reported to different bodies.

First interim report on the H3 implementation

The first interim report on the implementation of the Resolution H3 was elaborated by the UNECE/FAO Secretariat in 1995 [13]. Countries reported 111 projects implemented, 200 in the implementation phase and 51 in the planning process. All of the implemented projects were different training courses, study tours, workshops, symposia and other meetings. One third of those projects in the implementation phase were also workshops, study tours and other kinds of training, one third research, monitoring and development projects and the rest of them were investment, technical and financial assistance type of projects. Sixteen countries reported as donors and fifteen as recipients. Many projects were implemented by CIT themselves. There were 25 conclusions and recommendations proposed in the report, focused mainly on the issues where cooperation should take place, how and what should be done to achieve the Resolution H3 objectives, areas where CITs could improve their sustainable forestry practices, where they need assistance and in which form.

Second interim report on the H3 implementation

The second interim report was elaborated in 1997 [4]. The cooperation remained intensive between the first and second reports. Till the end of 1995, when the data for the second interim report were collected, a total of 249 projects were reported to be implemented. Some 20 % of the projects were study tours, seminars and workshops, 26 % education, training and capacity building, 24 % know-how transfer and technical development, 19 % scientific and research and 11 % policy, strategy and other types of projects. However there was a very high level of uncertainty in the report, because only 13 recipient and 11 donor countries responded to the enquiry. Almost half of the countries and organizations (17 countries and 4 international organizations) did not respond. Another reason for uncertainty was the fact, that it had not been clear whether projects reported in the first round of monitoring in the report from 1995 were wholly or partly included also in the report from 1997. One of the important outcomes of that step in monitoring of the transition process was the identification of the key problem areas, highest priorities and forms of support, where CIT required assistance. The key problem areas were policy and legislation, sustainable forest management, forest economics, information, institutional framework and public affairs in forestry. Workshops, study tours, training, joint projects, technical assistance and investments were identified as the main forms of assistance. The outcomes of the second stage of H3 implementation were reported to the 3rd MCPFE in Lisbon, Portugal, in 1998.
**Third interim report on the H3 implementation**

The third report on monitoring of the implementation of Resolution H3 was elaborated in 2003 [5]. The results were reported also to the 4th MCPFE in Vienna, Austria in 2003. Quantitative evaluation on reported projects showed that cooperation with countries in transition remained intensive throughout the nineties, resulting in a constantly increasing number of projects. While for the second report in 1995 countries had identified 249 projects, database at the beginning of 2003 contained more than 650 cooperative projects. The analyses showed certain discrepancies in the dataset. These are due to completely missing reports from some countries expected to play an important role in the cooperation. The other problem is the incompleteness of the reports [5]. Qualitative evaluation of the contribution of the international cooperation to the success of the transition process was complicated because of the above mentioned reasons, but also because of an inconsistent approach to contact persons in reporting countries to assessment of the nature and outcomes of the projects.

Despite these uncertainties it can be recognized that most of the projects were aimed at dissemination of knowledge, experience and information, education and training. An important element were also research projects, know-how transfer, capacity building, projects aimed at policy and strategy improvement. There was a very low share of projects aimed at technical assistance, technical and institutional development and above all of projects aimed at direct financial assistance. The relative share of different types of project reported in the H3 Database in 2003 is shown in Figure 1.

![Figure 1: The relative share of project types in H3 Database](image-url)

The process of transition was monitored also by several specific studies on the situation in particular countries or group of countries [7],[14]. A series of workshops and seminars organized by the signatory countries in cooperation with the FAO European Forestry Commission and the UNECE Timber Committee were of high importance. They provided an opportunity to exchange information and experience, to discuss different issues affecting the
transition process, to evaluate the outcomes of the transition process and to formulate recommendations for activities ahead. Some of them were focused on specific problems or only on particular countries. However, some of them were focused on broader policy, legislative, economic and institutional aspects of the transition process, outcomes and recommendations of which can be generalized and applied to several countries for a longer period of time. Outcomes and recommendations of four of them are introduced in the following chapters.

5.1 Experiences and Constraints in the Evolution of Policies and Institutions relevant to the Forestry Sector in Eastern Europe

The first of the series of workshops took place in Florence, Italy in 1994 and discussed the experience and constraints in the evolution of policies and institutions relevant to the forest sector in Eastern Europe [20].

It was recognized by the participants that the meeting provided the first opportunity to present and discuss freely and openly among themselves the problems, constraints and challenges the forest sector of Eastern European countries has been confronted with in the process of transition to the market economy. As the major elements influencing forestry were identified changes in the ownership structure of forests, inadequate technology for forest operations and lack of investments in the forest industries. Major issues, conclusions and recommendations of the workshop were as follows:

❖ Major issues of the reform of the forestry sector in Eastern Europe

In the following two sections a synthesis of the discussion of the two working groups on privatisation and the changing role of the State in forestry and economics of forestry and forest industries is reported. At the end of each section the general conclusions of the working group are briefly presented. Some overlapping of the results of the discussions is indicative of the high importance that participants placed on some distinctive aspects.

Privatisation and the changing role of the State in forestry

The following topics related to privatisation and the changing role of the State were pointed out: policy, legislation and institutions; privatisation of State forests; planning; taxation systems; public relations; environmental issues; research, training, extension and information.

Issue 1: Policy, legislation and institutions

- The new institutional relationships created by the transition process have altered the roles and the methods for maintaining the essential flow of sector information for policy formulation and decision making. This means that policy makers and others involved in forestry at national and local levels should be fully involved in the forestry policy formulation process, and should also be thoroughly informed regarding the socio-economic and environmental importance of the forestry sector.

- Forestry policy should be linked to national development and should define correctly the role of forestry in economic production, in natural resources conservation and in addressing social problems. Forest policies should reflect the main directions of economic transition and development, and should also be harmonised with policies in other sectors (agriculture,
industry, infrastructure, energy, environment, etc.) in order to ensure that a coherent and consistent policy framework guides the sector’s activities.

• Legislation is the main instrument for forest policy implementation and should be adapted to the new objective of forest policy. Forest legislation should also be adjusted to become consistent with new regulations in other sectors. New normative instruments are necessary to support a gradual development of forest institutions in the transition to a market economy (e.g., decentralisation and institutional autonomy). Legislation should also reflect international commitments signed by the countries. Foreign assistance can help in advising and exchanging information about forest legislations in different countries.

• The need to achieve economic efficiency poses a considerable challenge to the countries’ present institutional and managerial capacities. The role of state forestry institutions must be re-examined and reoriented from a direct operational role towards providing effective support and assistance to the emerging private forestry and forest industry sector, local communities and non-governmental institutions involved in forestry. It should also be effectively structured to enforce and ensure adherence to forest legislation and to contribute towards solving sectorial conflicts.

**Issue 2: Privatisation of state forests**

• The aim of privatisation is to restructure the over-controlled and often inefficient State properties, giving way to the dynamics of market processes to stimulate the private sector and individual interests and initiatives. Each country is experiencing different ways of privatisation of their state forests.

• Restitution was considered by the participants to be an indisputable political decision, although consideration should be given to its institutional implications, such as the establishment of adequate mechanisms to assist and support former forest owners in the conservation and sustainable management of these resources.

• The privatisation process must be linked to the political, social, historical and economical situation in each country. A reform process of the forestry sector with a market orientation does not necessarily entail privatisation of all forests or of forest land. Forest land can remain public, even if not only at a state level, through instruments such as transferring land to municipalities, local communities, etc., by decentralisation. Alternatively, forest activities can be gradually privatised, depending on the capacity of each country of which the land remains public property, in order to ensure long-term sustainability of the forest resource.

**Issue 3: Planning**

• An open “two-way” interactive communication process within an effectively decentralised planning system must be enforced, in order to develop an effective dialogue with all groups interested in social, environmental and economic aspects of forestry and related topics. Forest planning at different levels must be integrated, taking into account the interactions with other land uses and with the development plans in other sectors.

• Countries should promote and support forest planning at the local level. It should also favour the preparation and presentation to the public forestry administration of forest
management plans by private institutions and persons with recognised professional
capacity.

- Permanent mechanisms to favour dialogue and harmonization of plans and programmes,
  both within the forestry sector and with related sectors, should be created to avoid
  overlapping in planning, implementation and control.

**Issue 4: Taxation systems**

- The tax reforms being implemented in many Eastern European countries should recognize
  the importance of the forestry sector as a potential area of fiscal incentives and the need to
  put forestry activities on a competitive level compared to other investment options.

- Taxation systems must be well known in order to ensure proper application. There exists a
  clear necessity to collect information on the development of taxation systems in forestry in
  countries with economies in transition.

- Forest fees should be channelled into a special forestry fund for reinvestment into forestry.

**Issue 5: Public relations**

- The benefits of forests in providing services and support to other sectors and activities must
  be fully understood by policy makers and the public. Efforts to raise awareness should be
  made with a special reference to rural communities, farmers and environmentalists, in
  order that forest protection and development policies can be perceived as an important
  contribution to the welfare of society.

- Information campaigns in the forestry sector should be promoted, and associations among
  forest owners favoured. Public meetings to discuss forestry topics among foresters,
  environmentalists, administrators, politicians and other interested people should be
  organized, to build up participation and support of the conservation, management and
  rational utilization of forests.

- Appropriate updating and modification of curricula on forestry school programmes are
  needed to support and strengthen forestry development in the new economic process. Due
  consideration should be given in this process to the multi-disciplinary aspects of forestry as
  well as to the wide environmental education needs of the population.

**Issue 6: Environmental issues**

- Political and economic pressure tends to promote fast and abrupt changes in forestry, but
  these changes should not harm the forest patrimony. Protection of the long-term
  sustainability of forests and their wood and non-wood products and services should be a
  primary concern in all Eastern European countries.

- Protection of the forest patrimony should be stressed, with biodiversity as a priority,
  viewed both in a national and in a worldwide context. Special protected areas, such as
  National Parks, should be defined in a rational way, promoting effective ecosystem
  conservation without hampering the needs of local inhabitants, while involving them in
  forest resources management.
Control to the protected areas should be strengthened. It is highly advisable that protected forest areas remain under the supervision and management of forest services.

The role of interest groups, local associations and NGOs should be increased in most countries presently in transition. NGOs should be considered as important partners of public authorities in the process of definition and implementation of forest policies. The involvement of “green” organisations in the management and control of protected areas should be encouraged.

**Issue 7: Research, training, extension and information**

Was recognized that in Eastern Europe countries a good level of competence in technical forest management and forestry exists, but what is missing are the social and economics aspects which are fundamental in a democratic and free market society.

New scientific bases must be applied to research and training activities carried out by universities and other public research and development institutions; they should contribute to building up new approaches in understanding the relationships between forestry and society, with special consideration given to the peoples’ needs, to rural sociology and communication, and to economics and policy analysis.

Training and re-training services in the forestry sector should be promoted and/or developed by the state, with special reference to a market economy orientation in silviculture, harvesting, and marketing. Up-dating of the curricula of forestry schools at all levels should be stimulated, in order to create a more adequate human resources base needed to develop the forestry sector under the new political and socio-economic conditions.

Extension should be improved in forest technology and in marketing services regarding timber and non-timber products, especially with the aim of helping small owners in the new market environment. Extension activities related to the problems of the transition process should be stimulated, through appropriate training of foresters employed by public agencies, rural associations and non-governmental and local organizations.

Information mechanisms should be developed at national and regional levels to facilitate the exchange and establishment of networks among Eastern and Western European countries, mainly regarding taxation, trade, marketing and legislation.

International funding should be promoted for scientists, students and professionals to allow foreign contacts and participation in workshops, seminars, meetings on forest policy, legislation, technology and marketing.

In the reorientation and strengthening of forestry research, training and extension capacities in Eastern European countries a fundamental role can be played by international organisations such as FAO, IUFRO and others.

At the conclusion of the discussion it was stressed that there is no unique answer to the problems of privatisation and the changing role of the State, even if there are some recurrent questions arising in countries with economies in transition, such as the following:
forestry is not merely a technical issue: policy is becoming increasingly important;

the changing ownership structure calls for adjustment in forest policy that should result in new arrangements of the forest law;

although restitution is a matter of political decision at the national level, it must be framed within the perspective of the conservation of forest resources;

legislation must consider the reorganisation of public institutions towards decentralisation;

illegality is a growing problem in the forestry sector; therefore reinforced control is needed, awareness-raising and information activities in the forestry sector should be promoted and regulated;

research, training and extension services in the forestry sector should be re-organised and focused on new orientations and problems of market economies, with the help of international organisations.

**Economics of forestry and forest industries**

The second working group considered the main issues linked to the development of the forestry and forest industries economy: forest management re-organisation; pricing systems; investment analysis; forestry financing systems; and information systems in forestry and forest industries.

**Issue 1: Forest management re-organisation**

- Management should take care not only of silvicultural matters but also of environmental, economical and social aspects. The different responsibilities of public forest institutions regarding the management of state, municipality and private forests should be clearly defined. Ongoing criteria and methodologies in defining allowable cut should be adjusted to the changing ownership structure and different management goals.

- Management in private woodlands should benefit from incentives in fiscal and credit systems as a compensation for the non-market public benefits deriving from the environmentally sound utilisation of forest resources. Legislation should support the rights of tenure of private owners who plant trees and manage forests on their own land.

- Research and extension in applying advanced technologies in forest monitoring, planning and management should be strengthened.

- Information is required on supply and demand, consumption and trade of wood and non-wood forest products and their prices in domestic and international markets; data should be collected and distributed in systems, which can satisfy information needs from different users and facilitate fair competition and market mechanisms. Countries presently in transition should keep in touch with each other, develop information channels to avoid commonly made mistakes, and take decisions based on positive experiences.
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Issue 2: Pricing systems

• The development of free markets is a necessary pre-condition for effective pricing. It is essential to reduce government intervention in the pricing of forest products, moving from a system based on government-fixed prices to prices defined by free competition and the interaction between supply and demand.

• In many Eastern European countries domestic market prices are now linked more to export/import prices, but in a number of cases the introduction of real prices is creating considerable difficulties for the local processing industry due to its low efficiency and weak international competitiveness.

• Knowledge of modern price formation processes and procedures is needed (e.g. pricing of tree stands, organisation of different auction systems, contractual and institutional arrangements for sales of private and public forests, etc.).

Issue 3: Investment analysis

• The previously prevailing methods of cost calculation in forest activities are not suitable for forest investment analysis by private and public organisations in market economy. In many Eastern European countries management systems are rapidly developing towards more efficient cost evaluation and decentralisation of decision making. The reform of cost calculation systems can increase efficiency; cost reduction through an accurate economic evaluation of forest investments is essential to develop the competitiveness of the forestry sector.

• For the efficient allocation of public funding and a proper evaluation of social impacts of forest activities, Cost-Benefit Analysis (CBA) of forest investments should be widely employed; research at the operational level, and training in CBA applications should be promoted, as well as new methods for the full assessment of all goods and services provided by forests.

Issue 4: Forestry financing system

• The new responsibilities, demands and needs to be fulfilled by the forestry sector make it necessary to develop new mechanisms to attract financial resources, additional to traditional state budgetary funds, to finance forest investments.

• Technical and financial support is urgently needed in many Eastern European countries to modernise the technology and management systems of the timber processing industry during the transition process.

• Information is needed regarding different international sources of forestry sector financing, as well as information on the objectives and procedures of different funding agencies, acts and on the structural features of the forestry industry.
• To attract private foreign investments in the sector, stability of forestry policies can play a key role, as well as provision of infrastructure, a favourable tax system, and the faculty to repatriate or to reinvest profits.

**Issue 5: Information systems in forestry and forest industries**

• In most cases current statistical systems are inadequate in describing and analysing different aspects of the forestry sector. Reliable statistics are urgently needed on forest resources, as well as production, consumption, trade of forest products and on the structural features of the forestry industry.

• Particular attention should be devoted to strengthening of marketing services for small-scale forest enterprises and woodworking industries.

• Widespread information on international standards and regulations, methods of statistics collection, and analysis and training and re-training of people responsible for data collection should be organised.

• At the conclusion of the discussion it was pointed out that there are two groups of economic problems in countries in transition: problems of general economic nature and problems directly connected to the forestry sector.

Major issues concerning general changes in economic systems and market orientation are:

• low competitiveness of the processing industry;
• shortage of managerial and economic skills;
• insufficient experience in dealing with problems concerning market mechanisms;

Questions which are directly connected to forestry sector are:

• changes in the ownership structure of forest land;
• re-organisation of forestry financing and institutional patterns;
• general concern that difficulties in the transition process can negatively affect the forest resources previously managed on a sustainable basis.

*Conclusions and recommendations*

Despite some similarities in the basic problems of the transition period in Eastern Europe countries, there are great differences in the ongoing process of forestry sector reform. It is therefore not possible to set up a unique transition pattern that can be followed by each country. Most countries in transition have a long tradition in applying the disciplines of sustainable management, even if in some of the countries the move toward market-oriented economies has recently resulted in some deviation from these disciplines and in the over-exploitation of forest resources. Many countries reported an increase in forest resources, but financial problems regarding silviculture, as well as deterioration of forest health, were also important common elements of the reports.

The major element influencing forestry is the change in ownership structure, while forest industries, primarily the saw milling industry, are suffering from inadequate technical know-how, lack of investment and, as a consequence, low productivity and lack of competitiveness.
There are various possible patterns to transfer forestlands to private ownership, and there are various political considerations behind the methods applied. However the different processes are resulting in:

- increased importance of small-scale forestry;
- decreased direct role of the state in forest management and environment protection; and
- increased need for new instruments of financing, supervision and control.

However, in most countries, the decision has been to retain a significant share of forest areas under public ownership in order to ensure long-term sustainability. Forestry operations in these forests may still be sub-contracted to the private sector but is done so under the supervision of the forestry administration.

Most of the participants stressed the importance of reliable information on resources, products, markets and prices. The need for management information systems was also underlined. Information on forest resources is considered reliable and accurate, but the quality of the information on the above mentioned areas is very poor. While countries in transition have to find a way of saving the achievements of existing inventory, planning and management systems, they should deliberately increase their capacities to meet the demands for information necessary for use in a market economy. This is one of the areas where assistance and transfer of knowledge is especially needed. Forestry can provide complementary income for rural populations deeply affected by transformation of the agricultural system. Exploitation of remote areas on an economically and environmentally sustainable base should be encouraged. The establishment of special forestry funds, institutional decentralisation, provision of incentives and extension services, reform in the tenure systems, strengthening of marketing services for small scale forest enterprises are all instruments necessary to support the development of local communities.

Problems of the wood industry also call for international co-operation. Some countries consider privatisation of the processing industry and its separation from forest activities as the possible solution to the current forest industry crisis, but there are other initiatives, which can be taken to unite forestry and industry, to help it through difficult periods. The tax system, prices, and interest rates are making a strong impact on the wood industry, which needs fair protection at the beginning of the transition period. A marketing system for forest products also needs to be developed.

Forest policy is under reconsideration in almost every country in transition. In some Eastern European countries the main emphasis is drifting towards environmental issues while the relative importance of the productive function is decreasing. However, it was stressed that the main source of income from forest remains wood production; benefits deriving from a sustainable use of wood recourses can contribute to covering the costs of part of the non-commercial activities.

**Need for regional and international cooperation**

Many of the participants at the Workshop recognised that this meeting was the first opportunity they have had to present and discuss freely and openly among themselves the problems, constraints and challenges the forestry sectors of the Eastern European countries are confronting.
in the process of transition to a market economy. They also recognized that in spite of the professional human resource capacity available within the forestry sector in many of these countries, cooperation and assistance from international and bilateral organizations is necessary and useful to complement, support and strengthen current national capabilities, especially as regards the political and technical aspects related to a market economy.

They also emphasized the need to strengthen the technical relationship among themselves, through the establishment of specific networks, regular contacts and exchange of information on the transition process and its consequences and impacts in the forestry sector.

The need to mobilize or activate special existing mechanisms (Technical Cooperation among Developing Countries, FAO Technical Cooperation Programme, PHARE from the Europe Community, etc.) to facilitate international cooperation in Eastern European countries, and/or to promote among themselves contacts, exchange of information, technologies and professional expertise, as well as to train and re-train their human recourses, should be the specific task of international cooperating agencies.

In this area, some main technical and political activities were identified which could be internationally supported in the short term:

a) technical activities:

• to reinforce management control in forestry;

• to provide environmentally sound management, mainly concerning biodiversity maintenance, rehabilitation of degraded woodlands and enhancement of protected areas;

• to promote effective multiple-use practices in forestry;

• to facilitate, through e.g. workshops, study tours, training, etc., the transfer of knowledge and better understanding of problems in policy formulation and analysis, investment analysis, statistical systems and extension services, community forestry, and forest products pricing and marketing;

• to support the translation into local languages, and publishing, of proceedings, reports and other documents on the main experiences and constraints in the forestry sector reform process, as an effective method of dissemination of information among countries in transition to market economy;

• to strengthen or stimulate forestry research on environmental, policy and socio-economic aspects under the current transition process.

b) political activities

• to provide a platform for regular exchange of information and experiences among countries in transition;

• to establish an international source of financing to ensure the participation of representatives from Eastern European countries to regional and international forestry
courses, meetings and other technical events and programmes of relevance to their sectoral development;

• to promote international investments and financial support to develop Eastern European countries’ forests and forestry industry development;

• to divulge more widely in these countries information about the functions, responsibilities and programmes of the different international and bilateral cooperation agencies and organizations geared to support forestry development.

5.2 Institution building, framework conditions and policy infrastructure for sustainable development of forestry under market economy conditions

The second workshop under the auspices of the UNECE Timber Committee and the FAO European Forestry Commission, organized in Smolenice, Slovakia in 1996, was focused on institutional building, framework conditions and policy infrastructure for sustainable development of forestry under market economy conditions [21].

The main conclusions and recommendations of the workshop were as follows:

Conclusions and recommendations

Topics discussed at the Workshop from both points of view (either structure in forestry or forest policy activities) cover an extensive sphere of formation and implementation of forestry policy. To facilitate orientation in the whole sphere of interest the participants decided, as a result of discussion, to divide it into the six basic topics as follows:

a) The State Forest Administration

The State Forest Administration is considered to be a decisive tool for state forest policy implementation. Therefore the participants recommended ensuring the continuation of the state forest administration activities in every situation even during changes of general organization of the state sector.

The participants recognized that the institutional position of the State Forest Administration within the framework of the State Administration structure is under discussion. Each country should define its own solutions considering their traditions and the state development of the non-state sector.

The participants agreed that the forestry sector has to ensure harmonisation between economic activities and the sustainable development of forests. As a result of the discussion most of the participants considered it to be possible and advantageous if the State Forest Administration is under the Ministry, which deals with forest management. Some of the participants assumed that separate organs of State Forestry Administration on county and district levels will be advantageous compared to integration into some other structures of the state administration.

Concerning forest ownership the participants recommended the countries in transition not to privatise the state forestland until ownership conditions are cleared and stabilized and a functional system ensures that sustainable management of forest is established.
b) The Private and Non-State Forestry Sector

The Workshop pointed out that in various countries in Central and Eastern Europe large part of forests are in private or other form of non-state ownership (municipals, churches and other forms). In some countries this sector will dominate and in others it will be small. In both cases the private and the non-state forestry sector not to be under valued.

The participants emphasized the importance to support the non-state sector. It was recommended that in the transition period the complementary institutions (such as institutions of consultancy, research, training and education and forest management planning) help as much as possible this sector and its institutions.

The governments in Central and Eastern Europe should transfer certain responsibilities and move it to the non-state sector and its institutions. They should have the opportunity to give the opinion on forest policy and state administration should take it in consideration. The non-state sector should participate in formulating, implementing, evaluating and monitoring forest policies.

The participants considered that the state forest administration should act more as an advisor for these non-state organisations than as a purely controller.

c) The Non-Governmental Organizations

The establishment of Non-Governmental Organizations in the majority of the countries in Central and Eastern Europe is still in progress. Professional and other associations and chambers were established in some countries. The participants agreed that development of these associations which represent interests of their members towards public, governmental and legislative organs, be supported by the state. The participants recommended to support the reinforcement and establishment of other types of Non-Governmental Organizations with forestry.

The participants also recognized that in countries in transition the environmental Non-Governmental Organizations are in an initial stage. Therefore more experience should be created in the forestry sector to discuss and deal with the environmental movements which certainly will increase in importance. A constructive dialogue and exchange of knowledge and information on ecological principles of sustainable forest management should be an important component in the establishment of a mutual understanding.

d) Forestry Financing

The Workshop pointed out the fact that in forestry under some conditions there will be difficulties to fully finance its activities and achieve positive economic result. Therefore in such cases sustainable forest management will depend on financing from other sources. It was noted that some countries have created special funds to support desirable activities. In other countries support has been provided directly from the state budget and other public sources. It must also be considered that increasing the efficiency in and adjusting the forest management to market economy conditions would positively contribute to the financing of forestry sector. The participants also considered it to be necessary to look for new sources of forestry financing
through international mechanisms and institutions as well as at national level through the internationalization of the value of non-market functions of forests.

de) Forestry Education and Extension

The participants recognized that forestry education in the countries of Central and Eastern Europe has a good quality, although the education in the disciplines of forestry policy, economics and management was oriented to the management in state enterprises. At present there is need to revise the content of curricula to adapt to the conditions of new ownership structure and concept of market economy.

The development of a private forestry sector demands for nationwide forestry extension systems. These could be established by state forestry administrations, educational organisations within the non-state forestry sector.

The Workshop recognised that in the majority of countries in transition the systematic public relation to influence public opinion is missing. Considering this fact the participants recommended to increase the contacts and cooperation with media.

f) Capacity Building

The participants stated that the changing conditions and progress in knowledge required a continued and systematic in-service training and education as a complementary process to the regular education system. It was recognized that the state should contribute to these activities with the cooperation and full participation of non-state forest organisations and private sector.

The Workshop recognized the importance of appropriate forest information system to guide the forestry development in the countries in transition and to support the decentralization of the economic decisions to other management units. Therefore the participants recommended the establishment of sound statistic and information systems that should provide opportune and qualitative data to the whole forestry sector.

Finally the Workshop recognized that the results of forest research should significantly contribute to the sustainable development of forest resources and that the state has the first responsibility to guarantee and support forestry research.

5.3 Recent institutional developments in the forestry sector in Central and Eastern European countries

The third seminar in Banská Štiavnica, Slovakia, in 1999 provided an opportunity for exchange of information and experience on institutional developments in the forestry sector [11]. The seminar recommended revisions in forest policies, legislation, forestry administration and public relations. It stressed the important role of forestry research, education, training and extension in the transition process.

The conclusions and recommendations of the seminar are summarised below:
a) Forestry policies

The Seminar noted that forestry policies formulated or revised in the past ten years were largely based on traditional policies that related to state forest administration and management. There were few provisions in the current policies that referred directly to the development of, or support to, private forestry. The Seminar therefore recommended that policies should be revised to include provisions that would encourage private forestry and participation of stakeholders, in particular private forest owners, in forestry policy formulation.

The Seminar stressed that a clear distinction should be made between forestry policy and the politics of forestry and that foresters should pay due attention to the latter in their efforts to obtain political support for forestry.

b) Forestry legislation

As with forestry policies, forestry legislation was also directed at the regulation of state forestry and was in many countries contrary to the interests of private forestry. The Seminar noted in particular that current legislation did not provide any financial incentives to private forestry. The participants suggested that money available under state forestry funds should also be used for private forestry purposes. In addition, possibilities should be explored of establishing mechanisms to provide credit to private forestry through banks.

c) Forestry administration

The Seminar observed that forestry administrations were still organised mainly to manage state forests. They were not in a position to deal with the changes that were taking place in the structure of forest ownership. In many countries nearly half the forest area would be in non-state ownership on completion of the restitution process. This would require a different organisation of forestry administration and provision of specific services to private owners, such as training, technical advice and market information on different kinds of forest products.

The Seminar noted in particular that there was a lack of extension systems in most countries and recommended that such systems be made available on a regular basis in a co-ordinated fashion at local level by the state or by other appropriate organisations.

d) Privatisation

The Seminar recognised that while in certain countries total privatisation of forest industries had taken place, there were few countries where forestland itself had been privatised. The Seminar noted that restitution and privatisation were continuing processes and that each country would deal with them in the context of its own conditions.

e) Forestry research

The Seminar observed that forestry research continued to be concentrated on the scientific and technical aspects of forestry, not paying adequate attention to the needs of private forestry or to the role of forestry in rural development. It therefore recommended that forestry research should be supported to cover the socio-economic aspects of small forest holdings and family forests.
f) Forestry education and training

The Seminar noted that current education and training programmes followed the traditional lines of preparing forestry personnel for managing state forests. It observed that forestry curricula were lacking in providing knowledge and skills in communication, marketing and business management as well as the general social, economic and legal aspects of forestry.

The Seminar therefore recommended that these aspects and skills for providing technical advice to private forest owners should receive special attention in the revision of curricula and training programmes.

g) Forestry extension

As a result of restitution and privatisation, the countries participating in the Seminar were faced with the problem of having to deal with large numbers of forest owners who had neither the knowledge nor the skills necessary for managing their forests.

Equally, the forest services that were traditionally organised to manage state forests, found themselves unable to respond competently to the needs of private forest owners. There were no co-ordinated programmes in many participating countries directed at non-state forestry.

The Seminar therefore recommended that efforts should be made to provide the necessary services and supporting programmes on a continuing basis, including advice and training based on ascertained needs. In this context, it was essential for forest owners to organise themselves into associations that would help them manage their forests efficiently, defend their interests and act as negotiating bodies with other organisations on their behalf.

It was also important for forest owners to obtain information on forest product prices and markets so that they would not be exploited by intermediaries.

h) Afforestation of abandoned agricultural lands

In many participating countries these lands presented a particular problem due to the fact that afforesting them created certain constraints for the owners under existing forestry laws and regulations; for example, restrictions on the felling of trees growing on them. The Seminar recommended that relaxation of such restrictions be considered and incentives be provided to make these lands productive and contribute to the economic situation and social well being of the local people and the nation as a whole.

i) Recent international resolutions on forestry

In spite of the fact that all the participating countries indicated that they were implementing the resolutions of recent international conventions, initiatives and agreements on environment and forestry, there appeared to exist a general lack of perception of the benefits these instruments could bring to the forestry sector.

The Seminar recommended that the participating countries be active in the implementation of these agreements and conventions through appropriate action programmes. Special attention should be paid to communicate widely to all interested parties the substance of these instruments, especially the opportunities they offer to the forestry sector.


**j) Public relations**

The Seminar recognised the need to develop adequate public relations programmes within and outside the forestry sector. It recommended that forestry services take steps to create and maintain public awareness of the importance of forestry in the national economy.

**Specific recommendations**

**k) Addressed to CEEC**

Countries in Central and Eastern Europe should intensify their collaboration at institutional level, particularly in such fields as research, education, training and extension.

Regional projects for the development of infrastructures, facilities for tourism and other related development programmes should pay attention to environmental problems, especially those related to forestry.

Co-operation between countries should be strengthened through joint projects on transboundary problems or issues of common interest by sharing information and experience gained in dealing with new challenges facing the forestry sector.

**l) Addressed to the international community**

The participants recommend that the international community continue to support institutional development projects and activities in the forestry sector in Central and Eastern European Countries through direct financial and technical assistance.

**5.4 Forests and Forestry in Central and Eastern European Countries. The Transition Process and Challenges Ahead.**

Activities carried out by the signatory countries, international agencies and the ToS on the monitoring and implementation of Resolution H3 and the challenges and issues for the future activities were reviewed in depth at the International Workshop on Forests and Forestry in Central and Eastern European Countries in Debe, Poland, in September 2001 organized jointly by FAO, UNECE, Liaison Unit of the MCPFE in Vienna and the governments of several countries [8], [9]. Participants discussed lessons learned from the experiences made in the transition process so far, major challenges in the future, the current and future role of the MCPFE and the ToS and recommendations the future activities and international cooperation. Major challenges for the future activities were identified as follows:

**Socio-economic dimension of sustainable forest management:**

- Transition process continuation
- Policy formulation
- Policy implementation and instruments
- Market and economic aspects
- Social aspects
Ecological dimension of sustainable forest management:

- Restitution of areas rich in biodiversity
- Financing of the maintenance and/or improvement of ecological functions
- Integration of protection and management concepts, integrated planning schemes and inter-sectoral approaches
- Information base improvement
- Need for education, science and communication

Liaison unit of the MCPFE has prepared a condensed format of the workshop’s conclusions and recommendations to be considered by the MCPFE Expert Level Meeting as a background document for the evaluation of the implementation of the Resolution H3 by the 4th MCPFE. The assessment of the recent situation concluded, that the forest sector in many (but by no means all) transition countries has been transformed since Resolution H3 was passed. It is likely that activities under the resolution have helped to improve transparency and provide strategic direction. However, most of the progress by far is due to the efforts of the countries themselves, with some bilateral help [12]. In general, all steps in monitoring and evaluation of the transition process show that the conclusion made by the ToS on Countries in Transition at its second meeting in 1996 is still valid, that the subject would be acute for a long period of time and that the duration of the process of transition should not have a fixed final date [2].

Major outcomes and recommendations for future activities, formulated by two working groups and published by the MCPFE Liaison Unit in Vienna in two volumes proceedings [8],[9] are as follows:

**Working group on Socio-economic Dimension of Sustainable Forest Management**

Working Group discussed:
- Major challenges in the future concerning the economic and socio-cultural aspects of SFM
- Lessons learned from the experiences made in the transition process so far
- Current and future role of the MCPFE and the UNECE/FAO Team of Specialists on Countries in Transition
- Recommendations for future activities and international co-operation with a view to the Fourth Ministerial Conference on the Protection of Forests in Europe (28-30 April 2003, Vienna, Austria)

**Major Challenges in CEE Countries and Lessons Learned**

As a starting point for further discussions the working group elaborated a list of major challenges/issues of relevance for CEECs in ensuring socio-economic aspects of SFM. Given the diversity of economic, socio-cultural and institutional situations of the different Central and Eastern European Countries, a quite comprehensive list of 27 major challenges or issues were identified that were of importance for the future of SFM in these countries and/or that were major issues that these countries were confronted with in the transition process.

While some of the major challenges identified were pertinent in almost all CEECs, others reflected specific national circumstances of specific countries. Some of the most important topics highlighted by many countries were institutional and administrative reform, economic viability and financing of SFM, management of public forests as well as capacity building and
human resources development. Furthermore the issue of national forest programmes was highlighted in the discussion.

All the issues identified by the working group were further "clustered" into five topical headings that were intended to describe the type of underlying challenge. The topical headings for the challenges identified were as follows:

- Transition process
- Policy formulation
- Policy implementation and instruments
- Market and economic aspects
- Social aspects

For each of these headings and the related challenges/issues, a number of lessons learned in the transition process were identified by the participants of the working group.

The Transition Process - Challenges and Lessons

The challenges identified under this topic mainly concerned the huge task of governments in the different countries to steer successfully through the country-specific privatisation and/or restitution process. Governments can take and have taken many roles and many different approaches in relation to this hugely important and complicated political task. There was a general understanding that institutional and political reforms are necessary and crucial for the future of SFM in the different CEECs, however there were different opinions and experiences, good and bad, about different strategies for the reform. However, there was a general understanding that the task is huge and considerable work still lies ahead.

Concerning the reform of the state forest administration, countries are reported to be in different stages of implementation. Again, as evident given the different institutional structures, different approaches were taken and very different experiences gained, ranging from very successful turnarounds to inertia. A further major challenge related to questions of restitution was identified to be the adaptation of legislation. This issue not only concerns the clarification of legal rights and duties between private and public institutions but also the clarification of duties between national and local levels.

One further aspect that poses a major challenge related to the transition process concerns the typically unbalanced and often not well developed (industry) structures in the forest sector in many of the CEE countries.

In relation to the transition process a range of aspects were highlighted and discussed as major lessons learned by the countries. While, experiences of countries again varied widely, there was some agreement that the following points were important. First, that it is important to initiate changes from within instead of waiting on or being led by external institutions. It seems to be crucial to build up expertise and lead and to ask for subsequent external support, if appropriate. It was also seen as important to seek co-ordination with other sectors early on, especially with the environmental protection policy. A participatory approach was seen as a key prerequisite to proceed and that insufficient communication and information creates problems. Above all it was made clear that real political will is necessary.
It was underlined that while change processes are often cumbersome, change in the intended direction is possible. It was also a widely shared opinion that there is no "one size fits all" approach or solution and that transition processes of countries and their forest sector do have and should have different scope and speed. Some participants pointed out that it is wise to use experience made in other sectors and regions/countries. Others observed that the different importance of the forest sector in the different countries influences the process.

**Transition Process**

**Challenges Identified**
- Role of government in privatisation/restitution
- Institutional and political reforms
- Reform of state forest administration
- Adaptation of legislation, including duties between national and local levels
- Unbalanced (industry) structures in forest sector

**Lessons Learned**
- Internal initiation, build-up of expertise and lead, subsequent external support
- Co-ordination with other sectors, environmental protection policy, national situation
- Change in the right direction is possible
- Transition processes of countries and their forest sector have different scope and speed
- Participatory approach is key
- Real political will is necessary
- There is no single model that fits all countries
- Use experience made in other sectors and regions/countries
- Different importance of forest sector influences process
- Insufficient communication and information creates problems

**Policy Formulation - Challenges and Lessons**

The challenges identified under this topic mainly concerned the clarification and definition of rights and duties of public and private owners, the issue of defining adequate participation and conflict resolution mechanisms, given the often low public interest in the subject. Another related point concerns the formulation and implementation of national forest programmes. Given the huge changes in ownership in some CEE countries, issues of deforestation and afforestation were identified as major challenges. Also cross-sectoral activities and issues, especially agriculture and forest industry, play an important role for policy formulation related challenges.

The lessons learned so far were that CEE countries face, and will increasingly face, agricultural land changes. As in many Western European countries, the integration of forestry and rural development is needed, which is often linked to necessary reforms within macro-economic frameworks. It was expressed that co-ordinated policies between forestry and forest industry sector would be desirable as well as follow-up instruments for revision of policies to integrate implementation experiences.

Participants underscored that the formulation of a national forest policy is important and that it is advisable to involve all stakeholders in policy formulation that often requires communication and information measures and transparency. It was specifically highlighted that private associations play an important role and will need support in their establishment phase. On the
other hand public institutions are asked to adequately consider the role of forestry for and demands of the public in their national policies.

**Policy Formulation**

Challenges Identified
- Rights and duties of public and private owners
- Participation, conflict resolution, but low public interest
- Formulation and implementation of national forest programmes
- Deforestation and afforestation issues
- Cross-sectoral activities and issues

Lessons Learned
- Agricultural land changes to be faced
- Integration of forestry and rural development needed
- Reform within macro-economic framework necessary
- National forest policy is important
- Involvement of all stakeholders for policy formulation
- Communication, information and transparency
- Support of private associations
- Role of forestry for and demand of the public
- Base on local experience and international knowledge
- Follow-up instruments for revision of policies to integrate implementation experience
- Co-ordinated policies between forestry and forest industry sector

**Policy Implementation and Instruments - Challenges and Lessons**

The challenges identified under this topic mainly concerned law enforcement, including illegal logging and corruption, financing SFM, communication and information tools as well as institutional development, including support and extension.

Ranges of experiences were shared among the participants. Participants agreed that the currently often-low level of law enforcement has to be addressed. It was noted that adequate instruments are needed to implement policies formulated and that clear definitions of tasks and functions is key to successfully implementing policies and enforcing laws. Likewise it is necessary to establish criteria for evaluating implementation and for the effectiveness of instruments applied.

Concerning the issue of financing SFM, some participants pointed out that forest management can be economically balanced. However, currently external international financial support is the only major source of investment in forestry. A generally favourable investment climate was seen to hugely facilitate investment in forestry from more diversified backgrounds. This would point to the need for related economic, market and fiscal reform/adaptation. The financial potential that "Kyoto forests" might bring was also noted. Participants further underlined the importance of a holistic approach and cross-sectoral linkages.

The low political and public attention towards forests was highlighted as posing a major challenge to implementing many of the policies deemed necessary. It was noted that more transparency of public forest management is needed. Further, a step-by-step implementation in the right order (starting from political will, formulation processes, law decision, implementation, extension) would help to foster institutional development.
Policy Implementation and Instruments

Challenges Identified
- Law enforcement, including illegal logging and corruption
- Financing SFM
- Communication and information tools
- Institutions, including support and extension

Lessons Learned
- Adequate instruments needed to implement policies formulated
- Clear definition of tasks and functions is key
- Criteria for evaluation of implementation and instruments
- Holistic approach and cross-sectoral linkages important
- Low level of law enforcement has to be addressed
- Economic, market and fiscal reform/adaptation is necessary to succeed
- Generally favourable investment climate facilitates investment in forestry
- Forest management can be economically balanced
- Low political and public attention,
- Currently mainly/only external international financial support
- Possible financial potential exists from "Kyoto forests"
- Step by step implementation in the right order (starting from political will, formulation processes, law decision, implementation, extension)
- More transparency of public forest management needed

Market and Economic Aspects - Challenges and Lessons

Challenges identified under this topic mainly concerned the competitiveness of forest sectors, changing consumption and production patterns and the role of forestry in rural development. It also includes aspects related to general economic viability and investment promotion, Kyoto forests and certification as well as income creation and employment, including through non-wood goods and services. Finally market and economic aspects are key for the future of management of public forests.

The lessons learned were that experience has amply shown that excess market-barrier creation or subsidising is no solution. Nevertheless it is important to enable the development of internal resources and private structures. That in turn needs close collaboration between government and private interest groups, based on a defined and appropriate relationship between the public and the private forest industry sector.

Participants considered the role of certification and, more generally, market information as well as the general need for the promotion of the use of forest products. There was a felt lack of adequate consideration of global forest products market developments (production, consumption and market structures) in local and national market development efforts. In this context innovative solutions, such as eco-tourism, were supported.

Market and Economic Aspects

Challenges Identified
- Competitiveness of forest sectors
- Changing consumption and production patterns
- Role of forestry in rural development
- Economic viability and investment promotion
- Kyoto forests and certification
- Income creation and employment, including through non-wood
- Management of public forests

Lessons Learned
- No excess market-barrier creation/subsidising
- Develop internal resources and private structures
- Close collaboration between government and private interest groups
- Definition of appropriate relationship between public and private forest industry sector
- Efficient linkages between public and private forest industry sector
- Role of certification
- Market information
- Promotion of the use of forest products
- Consider global forest products market developments (production, consumption and market structures)
- Support innovative solutions, such as eco-tourism

Social Aspects - Challenges and Lessons

A range of challenges were identified that concerned social aspects of sustainable forest management in CEE countries, including occupational safety and health, capacity building and human resources. Furthermore the relation to the public and a right balance for the public use of forests were highlighted. The participants further identified a widely perceived lack of trust between stakeholders.

Capacity building as an over-arching issue and the importance of investing in human resources is a key lesson learned related to social aspects in forest management. Some participants saw qualified personnel as a potential future bottleneck for development. Concerning the relation with the public, the role of recreation services was highlighted as well as the need to motivate the public to participate better in policy formulation. The perceived lack of trust between stakeholders was seen as a core issue. It was underscored that it is essential to establish and maintain dialogue among stakeholders, especially as stakeholders depend on each other.

As transparency is necessary for establishing trust, sharing of information was seen as key. One participant noted the lack of studies on behaviour of private forest owners.

Social Aspects

Challenges Identified
- Occupational safety and health
- Capacity building and human resources
- Lack of trust between stakeholders
- Public use of forests

Lessons Learned
- Capacity building is an overarching issue, investment in human resources is key
- Qualified persons might become a bottleneck
- Role of recreation services
Dialogue between stakeholders is important
Transparency is necessary for establishing trust
Education and information - opening up
Stakeholders depend on each other
Motivate public to participate in policy formulation
Lack of studies on behaviour of private forest owners

The Role of the MCPFE and the UNECE/FAO Team of Specialists on CITs

Based on the major challenges identified and the sharing of experiences gained, the working group discussed the potential role of the Ministerial Conference on the Protection of Forests in Europe (MCPFE) and the UNECE Team of Specialists on Countries in Transition. As a key element of discussion, essential recommendations were formulated for the MCPFE and the UNECE Team of Specialists on CIT.

The Role of the MCPFE and Related Recommendations

The participants in the working group formulated three essential recommendations related to the Ministerial Conference on the Protection of Forests in Europe.

- Address rural development and the whole forest sector/cluster, not only forestry
- Throughout the discussion related to the different topics outlined above, the participants acknowledged the interrelatedness of activities and policies related to forestry aspects and events and policies outside the sector, especially agriculture and forest industry policies. It was seen as essential to address forest policy in a more holistic manner.
- Promote participatory approach and national forest programmes
- There was wide agreement that national forest programmes might be a useful tool for progress in the transition, to further develop policy formulation and implementation. The promotion of a participatory approach in this respect was seen as important.
- Address instruments more specifically and recommend reinvestment of forestry revenues

The working group recommended to make better use of the range of polity instruments available and at the same time better target specific instruments on specific polity issues. Emphasis was put on the need to reinvest forestry revenues in order to ensure sustainable forest management.

The Role of the UNECE Team of Specialists on CITs and Related Recommendations

The working group formulated four recommendations for the UNECE Team of Specialists on Countries in Transition:

- Collect and distribute information and experiences, including background information on policies and markets, inter alia, through market workshops
- The working group recommended that the Team should continue its important role in collecting and distributing information and experiences. Emphasis was put on background information and the general market environment. Workshops were mentioned as one possibility to share information.
- Elaborate proposals for procedures for forest policy implementation, instruments for assessment and evaluation
A further important role of the Team was seen in their capacity as facilitator and distributor of information on good practices on forest policy implementation as well as on instruments for assessment and evaluation of policies.

- Link to policy processes and support networking between bodies

An essential function and an important asset of the Team lies in its capacity to link different institutions on international, regional and national levels and consequently its link to different policy processes. The working group recommended that the Team continue to maintain this function and to especially support networking between bodies.

- Formulate recommendations/proposals for a stronger role of MCPFE

The working group recommended that the Team formulate recommendations and proposals for a stronger and more visible role of the MCPFE in the region.

Joint Roles of the MCPFE and the UNECE Team of Specialists on CITs and Related Recommendations

The working group formulated the following six recommendations for both the Ministerial Conference on the Protection of Forests in Europe and the UNECE Team of Specialists on Countries in Transition:

- Provide a forum to exchange views and experience, monitor progress made, incl. regional workshops
- Highlight issues and priorities, including the balance of private and public interest in forests
- Ensure wide stakeholder representation and involve private forest owner representatives in policy making
- Link more strongly with forest industry sectors, support integration into international markets
- Enhance human resource development and reinforce implementation of Lisbon Resolution L1
- Provide a link between global, national/regional levels

Working group on Ecological Dimension of Sustainable Forest Management

The participants of the working group shared the view that the developments in the transitional period have resulted in new challenges concerning the ecological dimension of forests.

The privatisation and/or restitution of forests were seen as a development of major relevance in this respect. The experiences gained in individual countries also indicate that since the beginning of the transition process a more heterogeneous and diversified picture of the conditions and developments among CEECs has emerged. Nevertheless, the working group also pointed to a number of common experiences shared by CEE countries, as for example limitations and/or weaknesses in financing ecological functions of SFM as well as in co-ordination between different instruments/institutions.

Based on the experiences gained in the transition process up to now, the working group in its discussion identified three major challenges concerning the ecological dimension of SFM in the future.
Restitution of Areas Rich in Biodiversity - Financing Maintenance and/or Improvement of Ecological Functions

The working group highlighted that maintaining and enhancing forest biodiversity in restituted forests and in regions of acute stresses constitutes a task of major importance in the future. National experiences indicate that national forest policy instruments should be designed to better meet the special requirements concerning forest rich in biodiversity under private ownership. Particular emphasis was given to the existence of effective mechanisms of long-term financing of ecological functions. Taking into account the cross-sectoral nature of SFM, these mechanisms would include public sources inside and outside the forest sector and indirect economic incentives (e.g. tax relief) as well as market based instruments. These should be based on strong government policies and conducive legislation.

Concerning the role of international co-operation the working group pointed to the importance of identifying urgent needs in the protection of ecological values in regions of acute stresses. In addition, it was highlighted that international co-operation should contribute to exchanging and analysing experiences among CEECs and with other European countries on the financing of ecological functions of forests. It should also support and facilitate national efforts to build capacity of forests owners and managers regarding the management of forest biodiversity and in educating and raising awareness of the public concerning ecological functions of these forests. The role of forest-owners' associations in sharing experiences and networking as well as of NGOs was emphasised.

With regard to the Fourth Ministerial Conference on the Protection of Forests in Europe in April 2003, the working group recommended that the MCPFE address the issue of long-term financing of ecological functions and aim to identify suitable mechanisms. Furthermore, it should contribute to the integration of sector policies and consider broadly the legal framework for SFM. Finally, it was suggested to foster the implementation of existing international commitments through an action-oriented resolution.

Role of International Co-operation

- Identify urgent needs in the protection of ecological values in regions of acute stresses
- Analyse existing EU experiences and develop models applicable in the CEECs
- Recognise role of forest owners associations in sharing of experiences and networking
- Recognise NGOs' "catalytic" role
- Establish demonstration areas and analyse and integrate the existing model forest initiatives

Implications for the Fourth Ministerial Conference – Recommendations

- Contribute to integration of sector policies
- Consider broadly legal framework for SFM
- Foster implementation of existing international commitments through an action-oriented resolution
- Identify mechanisms for long-term financing of ecological functions

Integration of Protection and Management Concepts

Closely related to the discussion on restitution/privatisation and financing, the participants of the working group identified the integration of protection and management concepts to be
another important challenge in the future. Two major aspects were discussed by the working group in this regard.

As one aspect, it was highlighted that a more integrated approach to forest policy planning would be required. It was stressed that the forest sector is closely linked to other sectors, which have a significant impact on ecological functions of forests and the conservation of forest biodiversity. Therefore, approaches to forest policy planning should take into account these linkages and impacts of other sectors to the forest sector. Furthermore, they should aim to increase stakeholder participation and transparency in setting ecological targets for SFM. National forest programmes were seen as a suitable forest policy approach to meet these requirements.

As a second aspect, the working group addressed the importance of better integration of protection and management objectives at the operational level. The participants identified the need to invest in improving the information base on forest biodiversity and to strengthen its measurement and monitoring as important prerequisites to this end. Confirming the desirability of the ecosystem approach in general, the group also agreed that more experience is needed in applying this concept on the ground. The establishment of demonstration areas and "promotional forests" was advocated in order to enhance the knowledge base on the integration of protection and management objectives and on the application of the ecosystem approach. The working group also gave high importance to the improvement of the capacity of forest owners and managers in setting management objectives and in applying suitable methods for managing biodiversity.

According to the working group, international co-operation should aim to contribute to an improved information base about biodiversity and its measurement and monitoring, e.g. through an exchange of experience. It should also support efforts to enhance capacity in forest management planning and practice to integrate protection and management objectives, e.g. by launching pilot studies and supporting the establishment of demonstration areas, as mentioned above.

The working group recommended that the MCPFE recognise the cross-sectoral nature of sustainable forest management and contribute to the integration of sectoral policies. In this regard, the significance of MCPFE work on national forest programmes as well as on the further improvement of the pan-European indicators related forest biodiversity was highlighted. Again, the importance of fostering the implementation of existing MCPFE resolutions and international commitments was emphasised, which - according to the working group participants - could be achieved by means of an action-oriented resolution.

Role of International Co-operation

- Exchange of experiences in measuring and monitoring biodiversity
- Building capacity in forest management planning
- Launch pilot studies on appropriate management techniques
- Improve capacity of forest owners in participating in setting management targets and identifying appropriate methods

Implications for the Fourth Ministerial Conference – Recommendations

- Foster implementation of existing international commitments through an action-oriented resolution
Contribute to current on-going work on further improvement of forest biodiversity related pan-European indicators

Need for Education and Communication

Finally it was recognised that an adequate level of know-how and information constitutes an essential prerequisite to ensure the ecological dimension of SFM in the future. The need for education and communication was highlighted both with regard to forest owners and managers and with regard to the broader public.

The participants agreed that professional training and education as well as science would have an important role in building capacity of new forest owners and managers for SFM in general and for the maintenance and enhancement of ecological functions in particular. It was noted that an exchange of the experiences gained in environmental education in individual countries would be beneficial.

In addition, the working group pointed to the need for an increased communication with and education of the public. The importance of PR activities and educational measures was underlined to achieve a high level of awareness on the importance of environmental services provided by forests and the sustained financial resources required to ensure these functions.

Particular reference was made in the discussion to the importance of communication and education in developing and/or improving capacities for stakeholder participation in forestry. It was acknowledged that effective participation also requires adequate competencies and skills of the actors involved.

The role of international co-operation with regard to communication and education was seen as facilitating an exchange of experiences gained in the transition process between countries, in particular among groups of countries characterised by different constraints. Furthermore, international co-operation should contribute to raising awareness of the public on the ecological functions of forests and the related financing requirements.

As an implication for the Fourth Ministerial Conference, the working group recommended to reinforce at the pan-European level the political commitment to promote multi-stakeholder co-operation and public participation.

Role of International Co-operation

- Facilitate exchange of experiences gained in the transition process between countries, in particular among groups of countries characterised by different constraints
- Contribute to raising awareness of ecological functions and the sustained financial resources required for providing these functions

Implications for the Fourth Ministerial Conference – Recommendation

- Reinforce political commitment to promote multi-stakeholder co-operation and public participation

Conclusions

The international workshop "Forests and Forestry in Central and Eastern European Countries - The Transition Process and Challenges Ahead" clearly indicated that the developments in
CEECs in the last 10 years have varied depending on the specific political and economic circumstances.

In most countries new or modified forest policy programmes and strategies have been elaborated, and legislative frameworks have been adapted to the changing social and economic situations. Furthermore, most countries have redefined the tasks of forest administration and have started, and partly also completed, processes of restitution and privatisation of forests.

However, approaches chosen in individual countries, experiences gained in the transition process, and results achieved with regard to economic, ecological and social aspects of sustainable forest management are diverse. It became particularly evident that the differences within the group of CEECs concerning the stage of development are significant. Accordingly, also the future needs and priorities are different. Not all recommendations given in the course of the workshop have therefore equal importance for all countries.

The specific recommendations given for the MCPFE are of high importance for future work at the pan-European level. The recommendations also highlight the role of the MCPFE as a forum to exchange views and experiences and to monitor progress as well as to provide a link between global and national/regional levels. Thus, they confirm the integrating role, which the MCPFE has played and should continue to play in the future throughout Europe.

**Major Issues/Challenges in the Future**

- Restitution of areas rich in bio-diversity /Financing maintenance and/or improvement of ecological functions
- Integration of protection and management concepts
  - Need for integrated planning schemes and inter-sectoral approaches based on multistakeholder participation - national forest programmes
  - Need to invest in improving information base on forest biodiversity
- Need for education and communication
  - Education of new forest owners and the public
  - Communication with the public

**Lessons Learned in the Transition Process**

- Maintenance and improvement of ecological functions requires external funds and cannot be financed by the forest sector alone
- Cross-sectoral approach is needed
- Co-ordination between different instruments/institutions is essential
- Financial incentives should be based on strong government policies
- Compensation schemes exist in CEECs, but often prove to be too weak in practice
- Deeper involvement of stakeholders and increased transparency is needed in setting targets for SFM
- Tasks in maintaining and/or enhancing ecological functions that require additional resources need to be defined more clearly
- Innovative financial incentives (e.g. tax relief) should be considered
- Ecosystem approach is desirable, but more experience is needed in applying it on the ground
Recommendations of the Workshop for the MCPFE

**General**

- Provide forum to exchange views and experiences and to monitor progress made
- Highlight issues and priorities, including the balance of private and public interest in forests
- Provide link between global and national/regional levels
- Initiate national consultation processes to achieve integrated views of countries on issues and future needs prior to Fourth Ministerial Conference

**Policy Formulation and Implementation**

- Recognise cross-sectoral nature of sustainable forest management and contribute to integration of sectoral policies
- Reinforce political commitment to promote transparency, multi-stakeholder co-operation and public participation
- Promote national forest programmes
- Reinforce implementation of existing MCPFE resolutions and international commitments

**Economic Aspects**

- Promote review of fiscal systems and re-investment of forest revenues
- Enhance linkage of forestry with other forest sectors and support integration into international markets

**Social Aspects**

- Enhance human resource development and capacity building, health and safety
- Enhance communication with the public

**Ecological Aspects**

- Identify urgent needs in the protection of ecological values in regions of acute stresses (war, forest destruction, erosion...)
- Consider implications of privatisation and restitution of areas rich in biodiversity
- Identify mechanisms for sustained long-term financing of ecological functions, including innovative mechanisms

**6 Decisive role of the Ministerial Conference on the Protection of Forests in Europe in fostering the transition of the forest sector in Central and Eastern European Countries**

As it has been mentioned before, the regional political process of the Ministerial Conference on the Protection of Forests in Europe was the most important driving force for the transition of the forest sector in Central and Eastern European countries by the adoption of the specific resolution H3 at the 2nd Conference in Helsinki in 1993 and by its involvement in the follow up process confirmed at subsequent MCPFE sessions.
Several documents prepared for the 4th MCPFE in Vienna in 2003 refer to the implementation of Resolution H3 and confirm the commitment for future actions in supporting the transition process and monitoring its outcomes.

In the document „Work Programme on the Follow-up of the Third Ministerial Conference on the Protection of Forests in Europe“ [19] the outcomes of the cooperation and the commitment for future activities of MCPFE were formulated as follows:

2.4 Countries in Transition (CITs)

By adopting Resolution H3 at the 2nd Ministerial Conference, the ministers committed themselves to “promote and support co-operation for mutual benefits” through a number of specific actions “in order to provide relevant expertise and advice, and to invite appropriate organisations and institutions to do likewise”. They concluded, “such co-operation may take the form of transfer of knowledge, and of bilateral and multilateral projects, and should focus on technical, scientific, institutional and legal matters” (Part 1: General Guidelines – 3).

Since the Helsinki Conference in 1993, the participating countries of the MPCFE have contributed to the implementation of Resolution H3 with a large number of bilateral and multilateral actions and projects, covering a wide range of forestry issues (including study tours, workshops, training projects, research programmes, technical development, know-how transfer to others).

UNECE/FAO, as international co-ordinator for Resolution H3, has developed an H3 Access Database as a tool for monitoring and co-ordinating activities in this area. This database contains information on about 500 projects of assistance and co-operation reported by donor and recipient countries and organisations. Furthermore, UNECE/FAO contributed to the implementation of the Resolution H3 through a number of other activities, notably the organisation of workshops.

The participants of the 1st ELM highlighted the efforts undertaken in the implementation of Resolution H3 and encouraged further efforts in this area. It was stated that since the adoption of Resolution H3 in 1993, CITs have experienced diverse developments regarding forestry, which should be taken into consideration in further work of the MCPFE in this area. It was decided to support and facilitate an exchange of information, experiences and major concerns among CITs.

Work of the MCPFE

Taking into account the commitments made at past Ministerial Conferences and the decisions taken at the 1st ELM, the MCPEF will continue to support the efforts and activities undertaken by UNECE/FAO and other initiatives aiming at the promotion and support of co-operation with CITs.

Furthermore, the MCPFE will co-operate in the organisation of a workshop to facilitate an exchange of information, experiences and major concerns among CITs. Poland has offered to host the workshop, which will presumably be in 2001.
The document “Implementation of MCPFE Commitments – National and Pan-European Activities 1998 – 2003” [12] reported on the implementation of H3 as follows:

3.1.3 Resolution H3: Forestry Cooperation with Countries in Transition

The implementation of Resolution H3 was reported by 18 respondents. The main measures to implement Resolution H3 were the development of workshops, international training programmes, forestry co-operation projects or expertise exchange with countries in transitions. It seems that the implementation of Resolution H3 led to an increasing dissemination of experience, a rise of knowledge of other countries’ situation on the forestry sector and to an improved mutual understanding and co-operation between the countries in transition and others. However, some countries stated that there is still a need for more training and capacity building as well as more co-ordination among the bodies promoting projects to avoid the overlapping of similar schemes.

Pan-European implementation

1.2.4 Element: Countries in Transition (CITs)

Rationale/Objectives
Promotion and support of co-operation with Countries in Transition (CITs) to market economies
Facilitation of an exchange of information, experience and major concerns among CITs

Assessment:
The access database maintained by UNECE/FAO (international co-ordinator of the follow-up activities to Helsinki Resolution H3) constitutes an important pan-European tool for monitoring, analysis and co-ordination of activities related to assistance and co-operation with CITs, which is publicly accessible through the Internet. However, a number of signatory countries of Resolution H3 have not yet supplied information to the databases, and for many projects only partial responses were received. For this reason, the information presented in the database must be considered as indicative.

The international workshop ‘Forests and Forestry in Central and Eastern European Countries – The Transition Process and Challenges Ahead’ was characterised by strong participation, particularly of representatives from Central and Eastern European Countries. It provided an effective platform for reviewing the forest policy related developments during the transition process and addressing major challenges and threats to forests and the forest sector in CEECs in the future. The workshop indicated the diversity of developments in CEECs. It proved to be of particular importance for the exchange of information, know-how and experience among the participants. Despite the differences in the developments of CEECs, the workshop revealed that policy issues most relevant for further work are similar for all European countries. Consequently, these issues have been included in the preparation of the documents for the 4th Ministerial Conference. In order to ensure a broad distribution of the workshop findings and the wealth of information delivered by countries to the workshop, the proceedings were published by the MCPFE in April 2002.
The conclusions and recommendations of the international workshop „Forests and Forestry in Central and Eastern European Countries – The Transition Process and Challenges Ahead“ for the future activities of MCPFE are cited in the chapter 5.4.

The 4th MCPFE “Living Forest Summit” in April 2003 in Vienna was an important event in the pan-European regional forest policy dialogue. The Conference did not discuss directly the implementation of resolution H3 "Forestry Cooperation with Countries with Economies in Transition", and the “countries in transition” matter as a whole, and it did not provide any direct and explicit guidance on the future of the co-operation in this area. At the same time, there are a number of specific references to co-operation with CEEC countries in the MCPFE-2003 documents. The “MCPFE Work Programme”, elaborated by the Expert Level Meeting in October 2003, confirms, in fact, that the UNECE/FAO should continue to coordinate the monitoring of the H3 Resolution, where the signatory countries and the European Union made commitments to strengthen their CIT cooperation.

The Vienna “Living Forest Summit” Declaration noted in particular the necessity of "... continuous process of implementing previous MCPFE commitments and the emerging new challenges ...".

The Declaration stated that the Signatory States and the European Community committed themselves, in particular, to address the “challenges that forest owners are facing in Central and Eastern European Countries, especially those related to changes in forest ownership”, and to “further develop co-operation among countries with different socio-economic situations, especially with regard to Central and Eastern Europe”.

The Vienna Resolution 1 (VR I) notes that “The importance of building new capacities by means of training, education and research, and making best use of existing capacities is emphasized in particular with regard to Central and Eastern European Countries”.

The Vienna Resolution 2 (VR II) pointed the need to “promote the development of and encourage the participation in associations of forest owners, of the forest workforce and of forest entrepreneurs, in particular in Central and Eastern European Countries”.

The MCPFE Work Programme, when referring to the Resolution H3 “Forestry Co-operation with Countries with Economies in Transition”, confirms that the UNECE is the “International Co-ordinator”, and formulates the further implementation work as “Adding new information reported by national correspondents to the H3 Database” (page 5 of the Work Programme).

7 Challenges for the future progress in the transition process

It has been mentioned above, that the major goals at the beginning of the transition process were more or less the same in most countries: many similarities in the development of countries during several decades could be found. Nevertheless, countries started the process at different
level of economical development, in different internal political situation, different cultures, national habits, etc. Several countries passed through a process of disintegration, some peaceful some with war conditions.

The transition process in the forest sector was influenced also by different natural conditions, forest ownership structure, state of forests and other factors internal to the forest sector.

All of these pre-existing conditions led to the present situation, wherein countries are at different stages of the transition process. A group of countries whose political and economical developments have been better adapted to the market economy conditions were identified and those countries have completed the first stage of transition by EU membership. Other countries have also been taking different routes in their transition to the market economy.

Those are the reasons why a new, specific approach of international assistance to each group of countries should be discussed. New priority areas and ways of cooperation should be defined taking into account the recent situation and lessons learned during the transition process.

It is expected, that the transition process will last for several decades. According to the analysis and forecasts of the economic growth in Eastern European Countries for the period 2000 – 2040, published by UNECE/FAO [6], in the base line case the most developed Central European countries will reach in 2040 ca. 84 – 92 % of the level of the economical development of former EU15, other Central European countries will reach the level of 70 – 80 %, Balkan countries and the former Soviet Union countries 65 – 75 %.

8 Challenges of the forest sector in the enlarged European Union

Since its creation, the European Community has been enlarged on several occasions. The enlargement in May 2004 was of the highest importance not only from the point of view of its political dimension, but also for the EU forestry sector. The new member countries have a total of 25 million hectares of forests. Thus enlargement increased the area of forests in the EU by 22% and the growing stock by 34 %. Forests in the majority of new member countries play an important environmental role. Natural and semi-natural forests with a rich variety of species remain in new EU members and also in the applicant countries. At the same time forests are a crucial renewable natural resource. Round wood is an export product in many of them, accounting for at least one fifth of fellings. Forest industries consist predominantly of the wood products industry, however approximately half of all production is exported in the form of low value added products. Wood pulp and paper production are rather small and these countries are net importers of paper. Consumption of wood based products is small, in sawn wood less than half and in wood pulp and paper only one third of that per capita of the former EU15.

Creation of a new private forest sector has been one of the most important political, economic and social changes during the transition process. It is estimated that over 3 million new private forest holdings have been established in new EU member countries. Although the restitution process has lasted more than 15 years, it has still not been finished in some countries. Thus cooperation between forest owners and setting-up forest owners’ associations are seen as key ways of promoting private forestry. At the same time state forest administration agencies have had to face new tasks and demands.
Overall advantages and strengths of the new EU member countries were:

- Proximity of historical development and traditions with their neighbouring old EU member countries
- Geographical closeness to the old EU members
- Relative political and economic stability
- Active involvement in the international collaboration
- No or peaceful separation from their former states (Czech Republic, Slovak Republic, Slovenia)

Specific forestry strengths were:

- Long forestry traditions, biologically sustainable forest management
- Increase of growing stock and felling potential
- Biologically based forest inventory, planning, including reforestation policies, established
- Network of educational and research institutions with an old tradition
- Proximity to major markets
- Low labour costs

Large forest resources and low domestic consumption provide a strong base for the development of the forest sector in those countries. To meet the increasing demand for all types of wood products by their higher domestic production is also an important challenge. Political stabilization provides one of the preconditions to attract foreign investors as well as domestic investments in the forestry sector. Those countries can also profit from harmonisation of their forest policies, legislation, standards and national forest programmes with the EU forestry strategy done during the accession process.

As mentioned before, it is envisaged that several decades will pass before the transition process will be completed even in the new EU member countries. However EU membership and direct participation in the decision making process, access to the development programmes, economical incentives and other tools give them an advantage to foster their economic growth, political and social stability. According to the recent study on forestry in accession countries [7], two main instruments fostering the integration of new EU member countries are Community Directives and other regulations, as well as financial assistance and its appropriate allocation to support sustainable development of the forest sector.

The most important issues on which the internal attention and the international cooperation should be focused to accomplish the transition process in new EU member countries are:

- **Capacity building and institutional development in the non-state forest sector**
  The position of forest owners associations, created in all new EU member countries, is still rather weak. They do not have enough human and financial resources to provide their members sufficient information in marketing, pricing, recent technical development, policy and legislation development, etc. In some cases the state administration does not involve them appropriately into policy and legislative decision making process.

- **Capacity building and institutional set-up in the state forest administration**
  The reorientation of the state forest administration towards providing effective support to all stakeholders has still not been fully completed in all new EU member countries. It does not have adequate capacity, human or financial, to provide non-state forest owners all the
advice or information they need. In some countries the control function still predominates. Frequent changes of civil servants in the decision making positions at all levels of the state administration were also often a common symptom of the transition process. This had a negative influence on the efficiency of measures taken in policy, legislative and institutional development.

- **Improving efficiency in forest management practices**
  Forest management planning and practical management of forests in some countries is still based mainly on traditional principles not taking into account economic impacts of the measures proposed in the forest management plan. The involvement of forest owners in decision making process is still weak. Inclusion of an economic chapter into the forest management plans is an important issue.

- **Balance of ecological, social and economic aspects of sustainable forest management**
  Due to the traditional approach of forest managers to forest management practices, the economical and social impacts of measures taken in forests and forestry are not assessed adequately. Consequently, inefficient consumption of available financial sources can cause their shortage for necessary silvicultural and protective operations. Transformation of the forest sector also caused some social instability by reducing the staff in the public forest enterprises. Programs for retraining those foresters for the specific needs of management of non-state forests were missing.

- **Implementation of innovative, efficient and more environmentally-friendly technologies**
  Due to the insufficient availability of investment capital for purchasing new and modern technology, contractors and small private harvesting companies were forced to buy old redundant machines from state forest enterprises. Those machines are not appropriate to fulfil all requirements for nature protection. Measures are needed to replace them by modern, environmentally sound and economically efficient technology.

- **Improvement of marketing and pricing skills**
  Improvement of marketing and pricing skills of wood and non-wood forest products and services is still needed mainly in the private forest sector. This issue is directly connected to improvement in institutional and capacity building not only in private forestry but also in the state administration and institutions providing training and extension.

- **Increasing investments in the forest industries**
  Low efficiency in local forest industries was identified by several workshops and seminars as one of the serious drawbacks influencing negatively the economic viability of sustainable forest management and development of the whole forest sector. The processing industry has developed much faster after countries entered EU, mainly due to foreign investments. Still, a substantial share of the industries is producing products with very low added value, mainly products of the sawmilling industry. Most of them are very small, with outdated technology.

- **Increasing investments in the infrastructure, information and communication technologies**
  Besides investments in improvement of harvesting technologies, substantial investments in road construction and maintenance are also needed in the majority of new EU member
countries. Implementation of modern harvesting technologies with onboard computers and GIS/GPS systems require development of the whole information and communication system of the sector. It is also needed for good and efficient marketing of forest product and services. Increased use of information and communication technology is an urgent issue mainly for the private forest sector.

9 Completion of the first period of the transition process – source of inspiration for future actions

The EU accession of eight countries in transition and the final meeting of the UNECE/FAO Team of Specialists (ToS) to monitor and develop assistance to countries of Central and Eastern Europe in transition (CITs) in the forest and forest products sector can be considered the milestones of the first period of the cooperation and the implementation of the Resolution H3. The final meeting of the Team was held from 3 to 6 March 2004 in Warsaw (Poland). The Team held its inaugural meeting in June 1994 in Geneva. The other ToS meetings were organised in Geneva (UNECE) 1996, Ljubljana (Slovenia) 1997, Gmunden (Austria) 1999 and Debe/Warsaw (Poland) 2001.

The outcomes of the final meeting, lessons learned during 10 years of its activities, proposals and recommendations for the future activities towards the transition countries adopted in the report from the meeting are as follows [18]:

The team has noted the important role of the MCPFE process and its close coordination with activities carried out by FAO European Forestry Commission and UNECE Timber Committee and their subsidiary bodies, with the activities of the Team in particular.

With regard to the EU accession process, the team noted that the countries concerned have done significant work to prepare their forestry sectors for accession. Most countries elaborated new (or modified) forest policy programmes and strategies and adopted legislative frameworks to the changing social and economic situations. Of course, different countries have applied different models of the transition of their forestry sectors, and correspondingly achieved the different results. The lessons, which these countries have learned, and the experience, which they gained, will be extremely helpful for the “second wave” of the accession process.

The team stressed that although eight countries have completed the first phase of the transition process by the EU accession, there is still an urgent need for continuation of the international cooperation to complete the process in those countries as well as further stimulate it in other countries.

The ToS once again emphasized the magnitude and scope of the transition process, as well as its importance not only for the European forestry sector, but also for the developments in forestry at the global level. The twenty-seven (27) countries of the Central and Eastern Europe and the former USSR, which are being considered as “countries with economies in transition” since 1993 (only 9 countries constituted this region in 1989), comprise some 980 million hectares of forests, i.e. about 25.3 percent of the world forests. After the eight (8) transition countries joined the European Union in May 2004, these areas still remain about 915 million hectares, i.e. near 23.6 percent of the world forests.
The ToS noted a number of issues and challenges, which the CEEC in transition (as actually some other EU member countries as well) were facing in the forestry sector. Among those issues and challenges are the following:

- political, economic and financial position of the forestry sector in many countries is still weak;
- CIS and south-east European countries frequently cannot attend international meetings if their costs are not paid, thus losing (a) benefits from the participation in the activities, and (b) leading ideas in the sector and possibilities to make useful contacts.

This situation raises questions “How to promote further the economic integration of non-EU European countries in the context of post-European Union enlargement?”, and “What specific activities should be undertaken for countries with different stages of developments of transition economies?” These questions had to be answered in a differentiated way for the (a) EU accession countries, (b) emerging market economies, and (c) less advanced transition economies. These would also be the key questions to address by a successor of the present ToS.

**Impact of the EU enlargement**

The ToS agreed that the CEEC and CIS countries, and their forestry sectors are different, and they could not be considered as a single homogeneous group of countries (in the forestry sector terms). Among some of them there are number of common features, which would allow to consider these countries (conditionally) as:

- EU accession countries;
- emerging market economies;
- less advanced transition economies.

In final analysis, when the co-operation and assistance are concerned, these “non-accession yet” countries should be considered individually.

Some questions and challenges are common for the forestry sector in all the European countries (EU and non-EU), such as “Raising interest of high-level political and administrative circles in the forestry sector”, or the “Improvement of the investment conditions in the forestry sector”. In some countries, one of the major obstacles to the sustainable forest management remains unfavourable investment environment. Fostering entrepreneurship in the forestry sectors transition economies is still one of the main tasks to be implemented in the nearest/foreseeable future.

The ToS confirmed that the current three major programme areas of co-operation and assistance to countries in transition (possibly with some modifications) would be relevant not only for the non-accession countries, but also they would be still valid for some EU member countries. The following work areas should be the focus of the co-operation in the near future:

- Institution and capacity building and framework conditions; building the legal and policy infrastructure for sustainable development of the forestry and forest products sector, including extension services, education and training;
- Activities related to the development of market oriented and ecologically sound enterprises in the forestry and forest products sector, with specific references to cross-sectoral and private forest owners issues;
• Issues of general importance for the protection of forests, forest conservation and sustainable development of the forest sector and issues of concern for individual countries or group of countries.

The wide diversity of the economic, social and environmental conditions, as well as historical aspects, should be carefully taken into account when deciding on the approaches of the international co-operation and assistance, and recommending the institutional structures.

**Future of the UNECE/FAO work with CEEC**

The on-going process of the Strategic Review of the UNECE/FAO Integrated Programme of Work indicates the following directions (formulations) of the future work, provided by the reviewing experts, and which are relevant to the cooperation and assistance to CEEC:

• “co-operation with MCPFE, and contribution to SFM in the region, especially in CEEC”
• “continue providing assistance for countries in transition”
• “shift in focus of attention to eastern and SEE countries, to promote their European integration”
• “support to countries in transition, in particular non-EU countries”

The team considered that the strategic directions of the UNECE/FAO activities in the co-operation and assistance for CEEC in transition should be consistent with the previously done work in this area, and comprise the following aspects:

• Institution and capacity building
• Legal and policy infrastructure for SFM
• Extension services, education and training
• Market oriented & ecologically sound enterprises
• Cross-sectoral & private ownership issues
• Issues of general importance: protection of forests, forest conservation, specific issues, etc

The experience gained in the process of the current activities, as well as the “institutional memory”, have to contribute maximum for the future developments in the area of the co-operation and assistance to CEEC in transition.

**The basic objectives and tasks of the future ToS might remain as in the previous one, namely:**

• To review periodically programme on CIT
• To make recommendations to UNECE/FAO
• To review countries’ needs for assistance
• To develop ways of co-operation
• To contribute to effective & efficient way of assistance
• To monitor and coordinate H3 implementation, but its focus should be more on the eastern and SEE countries

The ToS recommended in the future work periodically review priority areas and themes for co-operation in the fields:
The participants agreed that the UNECE/FAO Team of Specialists (ToS) to “monitor and develop assistance to countries of Central and Eastern Europe in transition (CIT) in the forest and forest products sector”, which was established in accordance with the decision of the 50th session of the Timber Committee, and held its first meeting on 6-8 June 1994 in Geneva, by the current sixth meeting has successfully accomplished its mandate, and should terminate its work in 2004.

A new Team of Specialists should be established by the UNECE/FAO parent bodies, as a successor to the current team, with the newly formulated Mandate and Terms of Reference, which presumably should include all the relevant activities, which have been run by the present ToS.

The participants provisionally agreed that the first inaugural meeting of the new Team of Specialists could reasonably be convened in the second half of the year 2005, if the decision of the UNECE/FAO parent bodies to set up a new team would be positive, and its membership would be defined.

Proposals and recommendations

The UNECE/FAO cooperation with CEECs and CIS, and the future ToS and activities, should take into full consideration the variety of forest policy developments and related institutional changes (forest strategies and programmes, legislative frameworks, administrative structures) in these countries in the process of their transition to market economies. Further strategic directions of the international co-operation in the forestry sectors of transition countries, as well as priorities for the future work, should be in line with the major issues and challenges for forests and the forestry sector in individual countries and to respond to their needs.

International cooperation and assistance under UNECE/FAO auspices should facilitate ways and means of ensuring the economic, ecological and socio-cultural dimensions of sustainable forest management. The ToS (in the future, as in the past) might provide an excellent tool for the networking and exchange of ideas and experience, which are beneficial for the transition countries. More intensive use of modern communication methods would be helpful, but personal contacts were considered indispensable.

The efforts and strong willingness of the transition countries themselves to develop the co-operation of forestry with other sectors of national economy, co-operation between countries, as well as to improve further the knowledge, and to increase the awareness, about forests and forestry, is the main prerequisite for the success of the transition process in the sector.

The creation of a “Trust Fund” to support the forestry sectors, especially those in the “less-favoured” CEEC and CIS transition countries, would help to bring them into the European forestry community in large, and to arrange their participation in the international forestry-related processes. The availability of such a Fund might raise also the potential of the future Team of Specialists, which would deal with the transition process issues.
The participants of the meeting confirmed that the detailed proposals and recommendations elaborated during the Debe (Poland) workshop, organised by the ToS in the co-operation with the MCPFE Liaison Unit Vienna in September 2001, have by no means lost their relevance, and these recommendations should be brought to the agenda of the future ToS work.

The Proceedings of the Debe workshop “Forests and Forestry in Central and Eastern European Countries - The Transition Process and Challenges Ahead” published by MCPFE in 2002 in two volumes is the valuable reference material for the work with CEEC and CIS. They bear the analysis of the situation, refer to the current and future developments and propose activities to respond to the challenges in the transition process for many years ahead.

The ToS noted in particular the need to a continued studying and analysing the “Trends in policies and institutions for the forestry sector in CIS and SEE countries” and overview of the “Changing Role of State Forest Services”, while focusing more on “Private forestry issues, and efforts to increase capacities in CIS and SEE countries to achieve SFM at the national level”. The first and possibly the most important step in this direction would be the breaking of the current (actual) “isolation” of some CIS and SEE from exchange of experience and ideas, and more active their participation in the international forestry-related events.

The Team of Specialists indicated specifically the following areas of possible cooperation, assistance and support to the countries in transition to market economy, i.e. to those countries, which are not joining EU in 2004:

- contribute to the development of forest policy aimed at sustainable forest management
- contribute to improvement of forestry and environment legislation
- facilitate investments into the forestry sector
- contribute to capacity building to bring forestry in line with the EU legislation
- provide support to private forestry
- improve assessment of forest ecological benefits
- improve communication between relating institutions
- assist in building up of integrated forest information system
- improve the cost efficiency in forest management practices
- reinforce the UNECE and MCPFE co-operation on CEEC

The workshops, conferences, seminars and meetings, as well as studies on the above topics would be very helpful (and needed) for CEEC and CIS countries, but the representation and active participation of the countries concerned in these activities would need a substantial (and targeted) financial support. The fund-raising with the purpose to organize and support the required activities is indispensable for the success of the work with CEEC.

Concerning the future work of the ToS on CITs, the participants discussed and considered the following options:
- ToS terminates its work (in the current format) in the year 2004
- ToS be possibly transformed into a new team, in a different format
- UNECE/FAO establishes a new ToS on CIT (CEEC and CIS) countries

The ToS suggested the option to set up a new UNECE/FAO Team of Specialists on “forests and forestry sector of CIS and South-East Europe (SEE)”. The new team should focus mainly on the non-accession (EU) countries, with the purpose to facilitate the monitoring and analysis
of the developments in the transformation of forestry sectors. The Mandate and the Terms of Reference of the new (or transformed) ToS should be elaborated in the process of a wide consultation with the CEEC themselves. The main focus of the new ToS activities would also depend on the objectives and the scope of the UNECE/FAO work with the CEEC and CIS countries.

10 Second phase of the transition process – the focus shifted more to the south and to the east

As mentioned in previous chapters, different starting conditions as well as different approach of countries to the transition process during the 1990s led to a significant differentiation in the recent situation among the countries and the specific needs to be addressed to accomplish successfully the transition process. The discussion on a new approach of the UNECE Timber Committee and the FAO European Forestry Commission was on the agenda in 2003 – 2004 during the Strategic review of their Integrated programme of work. Decisions made and directions of the cooperation during the second phase of the transition process are provided in the following chapters.

10.1 Joint session UNECE Timber Committee, 62nd session and FAO European Forestry Commission, 32nd session, Geneva, 5-9 October 2004

The session approved several important documents partly or specifically supporting the transition process in Europe [17]. The most important of them were:

- UNECE Timber Committee and FAO European Forestry Commission Integrated programme of work on forests and timber
- UNECE/FAO Team of Specialists on support and contribution to sustainable development of the forest sector in the CIS and South East Europe

The outcomes of the discussion on the issues connected to transition countries were reflected in the Report of the session as follows:

(a) Review of FAO Regular and Field Programmes in Europe, including follow-up to requests and recommendations of the 31st session of the European Forestry Commission (EFC)

The joint session was informed of FAO’s activities in the region and the follow-up to the recommendations made at the thirty-first session of the Commission. It noted that FAO had many activities in Eastern Europe and had increased its resources correspondingly, particularly through the Technical Cooperation Programme (TCP) and Government Cooperation Programmes (GCP)

With regard to the identification of priority issues and allocating FAO assistance, the joint session recommended that a more specific regional approach be followed. It noted that the newly-acceded EU countries have now accumulated transition experiences, which should be used more actively for other countries of Eastern Europe.

Participants appreciated the activities of the FAO Forestry Department on transition issues and recognized the additional input provided by the Sub-regional Office for Eastern Europe (SEUR) in Budapest.
(b) Directions for the UN Programme budget, 2006-2007 biennium:

- Time limited topics for 2004-2008: activities for which extra budgetary funding or special partnerships should be sought. This category should be further subdivided as follows:
  - Category A: activities which should have the highest priority for fund raising or which are already funded
  - Category B: activities for which funding should be sought.

Activities under category A, which are not yet funded, are the following:

- 1.3 Capacity building for forest products marketing in countries of CIS and south east Europe;
- 2.3 Support to development of national systems for forest monitoring;
- 3.1 Implementation and follow up of EFSOS to be determined;
- 3.3 Sector policy aspects of increased use of wood energy;
- 5.3 Trends in policies and institutions for the sector in CIS and south east Europe;
- 5.4.1 Trade and environment issues: extent and cause of illegal logging; and
- 5.7 Preparation of forest and forest products country profiles.

(c) UNECE/FAO Strategic review and integrated programme of work for 2005-2008

The joint session welcomed the process of strategic review, which had taken place in 2003/4, in a spirit of transparency, consensus and pragmatism. It approved the objective, strategy for 2005-2008, expected accomplishments and indicators of achievement, programme elements, and formal structures proposed in TIM/2004/7; FO:EFC/04/8, and the mandates of the seven teams of specialists.


Important topics on the agenda of the session also included issues supporting the transition process. The outcomes of the discussion were as follows [15]:

**UN Strategic Framework 2008-2009 - Timber Subprogramme**

**Objective of the Organization:** To improve sustainable forest management, including the sound and legal use of wood, other forest products and services throughout the UNECE region.

**Expected accomplishments of the secretariat indicators of achievement**

1.) Increased understanding of sustainable forest management, notably the policies necessary to achieve it, based on increased ability to measure sustainable forest management at the national and regional levels.

2.) Increased understanding of the sound use of wood, leading to policies to promote it and increased ability to monitor it.

3.) Increased capacity of countries in CIS and south-east Europe to achieve sustainable forest management at the national level, notably through developing appropriate policy measures.

   a) Increased number of CIS and south-east European countries adopting national forest programmes.
While all countries benefit from the international cooperation through the subprogramme, it recognizes a special need of the countries of CIS and South-Eastern Europe, where forest sector problems tend to be more acute and national capacity weaker.

The session took note of the FAO/UNECE Strategy for the sector in the CIS and south-east Europe, endorsed by the Joint UNECE Timber Committee/FAO European Forestry Commission Bureaux Meeting in Geneva, 28-29 April 2005.

10.3 UNECE Timber Committee and FAO European Forestry Commission Integrated programme of work on forests and timber

Objective
To contribute to achieving sustainable forest management, including the sound and legal use of wood, other forest products and services, throughout the UNECE region, and to ensure measurement of that progress.

To contribute to meeting this objective, the TC and the EFC will promote cooperation between countries in the region and develop regional and sub-regional initiatives.

Strategy for 2005-2008
In order to support forest management, including the use of wood, other forest products and services, that is ecologically, economically, and socially sustainable, it is necessary to maintain a good balance between these three aspects. This balance should be based on a strong consensus on the goals and methods among all stakeholders, and well integrated into the policy framework for other sectors (the cross-sectoral approach).

Achieving sustainable forest management is primarily a sovereign national responsibility. However, regional international cooperation, through the integrated UNECE/FAO programme and its partners, will contribute by developing and disseminating concepts and information, sharing experience and defining standard measurement tools (indicators).

The main contribution of the programme is through developing and applying tools to analyse and monitor both policy and developments on the ground, collecting, validating and disseminating information and analysis, as well as stimulating the exchange of experience, and joint efforts to measure progress.

While all countries benefit from international cooperation, the programme recognizes the special needs of the countries of the CIS and southeast Europe, where forest sector problems tend to be more acute and national capacity weaker.

Expected accomplishments and indicators of achievement
1. Improved practice of sustainable forest management, supported by an increased ability to measure sustainable forest management at the national and regional levels.
   1.1. Percentage of UNECE countries with national forest programme (nfp) or similar holistic forest sector policy framework
   1.2. Percentage of UNECE countries able to provide satisfactory data on indicators of sustainable forest management to the Fifth Ministerial Conference on the protection of Forests in Europe
2. Improved policies to promote the sound use of wood, and increased monitoring ability.
2.1. Percentage of UNECE countries with policies in place on sound use of wood, whether or not in the context of national forest programmes

2.2. Percentage of UNECE countries able to provide satisfactory responses to UNECE/FAO/ITTO/Eurostat joint forest sector questionnaire

3. Increased capacity of countries in CIS and south-east Europe to achieve sustainable forest management at the national level, notably through developing appropriate policy measures

3.1. Number of experts from CIS and south-east Europe participating in subprogramme workshops and seminars, and considering these activities of adequate relevance and quality

3.2. Improvement in administrative capacity of CIS and south-east European countries, as evidenced by the number of these countries adopting national forest programmes

**Programme elements**

The programme has five work areas and 23 programme elements as follows:

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<th>Markets and Statistics</th>
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<td>Statistics on production, trade, consumption and prices of forest products</td>
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<td>1.2</td>
<td>Analysis of markets for forest products, notably topical and policy relevant aspects</td>
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<td>1.3</td>
<td>Capacity building for forest products marketing in countries of CIS and south-east Europe</td>
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<td>1.4</td>
<td>Monitoring and analysis of markets for certified wood products</td>
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<td>Statistics on forest fires</td>
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<th>Forest resource assessment and indicators of sustainable forest management in the region</th>
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<td>Indicators of sustainable forest management in the region</td>
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<td>2.2</td>
<td>Regional contribution to global FRA</td>
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<td>Support to development of national systems for forest monitoring</td>
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<th>Sector outlook studies: analysis and follow-up</th>
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<td>3.2</td>
<td>Forest relevant cross-sectoral issues at the pan-European level</td>
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<td>3.3</td>
<td>Sector policy aspects of increased use of wood energy</td>
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<td>4.2</td>
<td>The social dimension of SFM in Europe, e.g. safety and health aspects</td>
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<td>4.3</td>
<td>Role of contractors</td>
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<th>Work area 5</th>
<th>Policy and cross sectoral issues</th>
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<td>Trade and environment issues:</td>
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<td>5.4.1</td>
<td>- extent and cause of illegal logging and trade</td>
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<td>5.5</td>
<td>Forest fires</td>
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<td>5.6</td>
<td>Sectoral and cross-sectoral communication</td>
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<tr>
<td>5.7</td>
<td>Preparation of forest and forest products country profiles</td>
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10.4 Strategy for FAO and UNECE forestry and timber activities in the CIS and South East Europe

A. Introduction

This strategy has been prepared by FAO and UNECE, in consultation with a number of stakeholders in the forestry sector in the CIS and Europe. The purpose of the strategy is to describe the main areas where the FAO Forestry Department and UNECE Timber Section should focus future activities in the near-term in the CIS and South East Europe.¹

The strategy covers the period 2005-2010 and will be reviewed annually by the UNECE-FAO Team of Specialists on “Support and contribution to sustainable development of the forestry sector in the CIS and South East Europe”. The strategy describes the main priorities for future FAO and UNECE activities in the forestry sector in this region and presents the methods that will be used to implement these activities.

B. Situation analysis

B.1. Background

During the 1990s, the countries of the CIS and Eastern Europe started the process of transition from centrally planned to market economies. In many cases, this transition has led to profound social and economic changes. However, progress with this transition has been mixed and conditions now vary enormously between these countries.

In particular, the countries that are closer to Western Europe have generally made more progress towards the development of a market economy. For example, eight countries in Eastern Europe have already progressed so rapidly that they joined the EU in 2004 after implementing numerous policy reforms across all sectors over less than a decade. Apart from these new EU members, other countries have made much less progress and remain in the early stages of the transition process or even at the beginning of the process.

At a broad level, the transition process involves a number of political and macroeconomic reforms (e.g. privatisation, changes in land ownership and property laws, etc.) that have a much larger impact on the progress towards a market economy than changes in any one sector. Indeed, reforms in the forestry sector are largely derived from these broader reforms. Furthermore, the forestry sector policies implemented in support of the transition process have differed between countries. For example, the procedures used to return state assets to their former private owners (restitution) have varied between countries, as have the areas of forests that have been returned to private ownership. However, most of the countries that have made considerable progress with the transition process share some similar features in terms of the

¹ The CIS (Commonwealth of Independent States) and South East Europe is defined here to include: Albania; Armenia; Belarus; Bosnia and Herzegovina; Bulgaria; Croatia; Georgia; Kazakhstan; Kyrgyzstan; Republic of Azerbaijan; Republic of Moldova; Romania; Russian Federation; Serbia and Montenegro; Tajikistan; The Former Yugoslav Republic of Macedonia; Turkmenistan; Ukraine; and Uzbekistan. Note: all countries are UNECE members and all are FAO members except Belarus (currently applying) and Russian Federation.

² The presence of a market economy is a condition of accession to the EU so, by definition, these countries are no longer “countries in transition”. Consequently, they are not a focus of this strategy. However, they are included in some parts of the strategy, as they have valuable lessons to share with other countries in this region.
measures that they have implemented and the other changes that have occurred as a result of the transition process (see table below).

<table>
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<tr>
<th>Common features of the transition process in new EU member states</th>
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<tr>
<td>The policies implemented in support of the transition process have varied from country to country. However, with respect to the forestry sector, most countries have experienced most, if not all, of the following changes:</td>
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<td>• Reorganisation of state assets in the forestry sector, including: restitution of forest land to private forest owners; sale of forest enterprises to national and international investors; and restructuring of remaining state assets (e.g. decentralisation of forest management, more commercial management of state forest enterprises).</td>
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<td>• Development of a private forestry sector, including: increased private-sector investment in the sector; development of private forestry sector institutions (e.g. forest owners’ associations); and development of forest management and marketing skills in the private sector.</td>
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<td>• Changes in policy and legislation to reflect greater private-sector involvement in the forestry sector and the changing role of the state from control of all forestry activities to design and implementation of forestry policy.</td>
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<td>• Changes in forest management to reflect a greater interest in economic objectives (i.e. profitability) amongst private forest owners and state forest enterprises.</td>
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<td>• Changes in the market framework towards prices determined by local and international markets and output decisions based on the dynamics of supply and demand.</td>
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<td>In addition to the above, the transition to market economies has also generally led to increased integration of these economies into the global economy (i.e. increased foreign trade and investment) and greater public awareness and influence on activities in the sector.</td>
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The purpose of future FAO Forestry Department and UNECE Timber Section activities should be to assist the countries in the region to continue to develop their forestry sectors, in light of the challenges and opportunities that are presented by the transition process. In this respect, it should draw on the experiences already gained by the countries that have made most progress with the transition process (e.g. the new EU members). In addition, it should also take into account the outlook for the forestry sector in these countries. More generally, the strategy should build on the main strengths of FAO and UNECE, which are supporting information collection and analysis and technical expertise in the fields of forest management and forestry policy analysis.

B.2 Trends and outlook for the forestry sector in Eastern Europe and CIS countries in Europe

The trends and outlook for the forestry sector in Eastern Europe (including new EU members) and CIS countries in Europe have recently been analysed by the FAO and UNECE. These were published as part of the European Forest Sector Outlook Study (EFSOS) 3. Some of the main results of this analysis are presented here below.

Forest products markets. Forest products markets contracted sharply during the early-1990s, in line with the general decline in economic activities in all of these countries. Since then, the

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3 The detailed outlook projections are not presented here. For further details, see: UN, in press, European forest sector outlook study 1960-2000-2020, United Nations, New York and Geneva.
forestry sector has expanded rapidly in many countries (i.e. most new EU members and, more recently, in the Russian Federation). This rapid expansion is expected to continue during the coming years across the whole of the region.

In the future, high rates of growth in production and consumption are projected for all of the main forest product categories (although, in general, production is expected to expand more rapidly than consumption). This expansion will be driven by the significant economic potential of the forestry sector in these countries (e.g. good access to international forest products markets, significant forest resources and cheap skilled labour). These competitive advantages have led (and will continue to lead) to increased investment in the forest processing sector in some countries in Eastern Europe, which will reinforce the expansion of international trade and changes in trade flows.

Specifically with respect to South East Europe and CIS countries in Europe, investment and market developments have lagged behind developments in the new EU members, except in the Russian Federation. Despite this, the EFSOS suggests that production and consumption in these countries will expand rapidly in the future, so long as countries continue with process of transition (i.e. policy and market reforms).

Forest resources. Over the last few decades, the ratio of removals to increment has fallen in most of Eastern Europe and, in particular, in the CIS countries in Europe (e.g. Russian Federation). However, in some countries, increases in harvesting levels since the mid-1990s have pushed the ratio up again (e.g. in the Baltic States). In the future, some countries may start to approach the limits of production growth determined by the availability of forest resources, but others (in particular, the Russian Federation) have the potential to continue growing rapidly for some time to come.

With respect to forest management, privatisation (or restitution) in many countries has resulted in the emergence of a large number of small-scale forest owners, who often lack the skills and resources to manage their forests sustainably. Furthermore, this is often compounded by the small size of the holdings, which limits the potential to achieve economies of scale in forest management. Currently, the generally low wood prices in the region are very competitive, but it is questionable whether they are sufficient to cover some of the future costs of forest management that might arise as these countries become wealthier. This problem has mostly affected the new EU members, but it highlights the challenges that other countries in the region will face as they proceed with the transition process.

The combination of rapid growth in the forest processing sector and the challenges faced by private forest owners suggests that some of the social and environmental benefits of forests in the region could be threatened in the future. For example, although the quality of forest management appears to have remained high and some problems (e.g. forest dieback) may have reduced in recent years, problems such as forest fires and illegal logging may be on the increase. These latter problems are a particular concern for South East Europe and the CIS countries in Europe. It will remain important for policymakers to identify and assess these problems and to develop appropriate strategies to deal with them in the future.

Policies and institutions. In some countries, forest administrations have redefined their roles to accommodate the social, political and economic changes that have accompanied the transition process. However, in much of South East Europe and the CIS countries in Europe, there is still a great need for policy changes and institutional reform.
The outlook also suggests that the forestry sector will face a number of economic challenges in the future (described above), plus increased demands for social and environmental benefits from forests and greater public participation in the sector. It also stresses the need for improved policy co-ordination across sectors. These challenges will require thoughtful policy analysis and policy reforms across all countries in the region.

### B.3 Current status of the forestry sector in CIS countries in Asia

At the moment, very little information is available (at the international level) about the trends, current status and outlook for the forestry sector in CIS countries in Asia. To address this issue, FAO is currently implementing an outlook study that will cover this region. Apart from this, the only recent comprehensive information about this region is that presented at the first Regional Forestry Congress. This highlighted the following current issues in the forestry sector in this region:

- a high threat to forests from human activities and irrational utilisation of natural resources;
- the importance of integrated land management and cross-sectoral policy co-ordination;
- low forest cover and poor regeneration, requiring greater efforts towards forest protection, rehabilitation and afforestation;
- weak financing for forestry activities;
- low levels of public participation and the need for partnership and greater participation and collaboration between stakeholders in the sector;
- a need for important changes in the role of the state, in line with on-going structural and political reforms (e.g. policy, legislative and institutional reform);
- an increase in protected areas, to achieve an acceptable level of biodiversity protection; and
- a need for the inclusion of socio-economic dimensions into the development of forestry plans and policies.

Although the current level of information and analysis of this region is weak, the above information should be used to guide the FAO Forestry Department and UNECE Timber Section’s strategy in CIS countries in Asia. Furthermore, the strategy should be updated when the results of the current outlook study for the region are produced.

### C. Scope for FAO and UNECE activities

Any future work in the CIS and South East Europe should focus on a small number of high impact areas in which FAO and UNECE have core competencies. In addition, it should contribute to the broader aims and objectives of the two organisations. It should also avoid duplicating or overlapping with the efforts of other organisations in these countries and, where possible, complement or collaborate with existing initiatives.

#### C.1. Core activities of FAO

FAO’s main activities are focused in the following four main areas:

- **Putting information within reach.** FAO serves as a knowledge network, specialising in the collection, analysis and dissemination of information about agriculture, fisheries and forestry. This work is implemented with countries through networks of national correspondents and experts.
• **Sharing policy expertise.** FAO has accumulated many years of experience in policy analysis, which is used to assist member countries to design and implement policies and strategies. FAO also provides a venue for countries to share experience amongst themselves at workshops and seminars.

• **Providing a meeting place for nations.** FAO provides a neutral setting where nations can come together to forge agreements on major issues related to agriculture, fisheries and forestry.

• **Bringing knowledge to the field.** FAO mobilizes resources and manages field projects on behalf of industrialised countries, development banks and others. FAO also provides technical expertise for projects and, in a few cases, small amounts of funding for projects.

With respect to forestry in the CIS and South East Europe, the main strengths of FAO are its neutrality and objectivity, the vast amount of information held by FAO and its ability to provide a meeting place for nations (especially involving governments and other stakeholders in the sector). Other strengths include the ability to provide a regional and global perspective and to share the experience from a range of situations. Limited financial and human resources (e.g. for field projects) is a weakness, which implies that FAO should focus on high priority areas and collaboration with others.

C.2. **Integrated programme of work on forests and timber of FAO and UNECE**

For many countries in the CIS and South East Europe, the work of FAO is co-ordinated with the UNECE and implemented through the Joint Secretariat in Geneva. The integrated programme of work on forests and timber of the FAO European Forestry Commission and UNECE Timber Committee comprises the following five “work areas”:

- markets and statistics;
- forest resource assessment and indicators of sustainable forest management;
- sector outlook studies - analysis and follow-up;
- social and cultural aspects of forestry; and
- policy and cross-sectoral issues.

Activities in the CIS and South East Europe are specifically mentioned under work area 2 (capacity building for forest products marketing in countries of CIS and South East Europe) and work area 5 (trends in policies and institutions for the sector in CIS and South East Europe). This strategy should encompass these activities, which have already been identified as a priority by countries in the region.

**D. Priority areas for future activities**

Based on the assessment of the current status and outlook for the forestry sector in the region, the following priority areas for future FAO Forestry Department and UNECE Timber Section activities have been identified:

**D.1 Data collection and analysis**

As noted above, information about the forestry sector is not readily available at the international level in many countries in the CIS and South East Europe. Improving access to this information

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should be a major priority, as without it, neither the countries themselves nor the international community can assess the situation and set priorities.

There are already existing mechanisms and experienced networks supported by FAO and UNECE for the collection, validation, analysis and exchange of information at the regional level. Once countries are brought into these networks, this should help them to maintain contact with other parts of the international community.

More generally, there are also few reliable quantitative and policy relevant data on the environmental and social benefits of forests available to policy makers. A number of countries in CIS and South East Europe have stressed the importance of such information, so improvements should be made in this area.

**D.2 Policy and institutional reform**

There have been profound and rapid changes in forestry sector policies and institutions in many of the advanced reform countries in Eastern Europe (e.g. the new EU members). This has supported the transition process and has increased the ability of forest administrations to cope with future challenges. However, many other countries in the region are only just starting to consider policy and institutional reform. These latter countries could benefit from the experiences accumulated up to now and FAO and UNECE should support activities to share these experiences.

Cross-sectoral linkages have been identified as important in the EFSOS and at the Regional Forestry Congress. Forestry sector stakeholders should intensify the policy dialogue, by drawing the attention of other policy areas (such as agriculture, trade, environment and energy) to the social and environmental benefits of sustainable forest management and the contribution that the sector can make to overall sustainable development. FAO and ECE can assist this through their contacts with others outside the sector and their ability to work across sectors.

Forest law enforcement and governance has recently been identified as a topic requiring further investigation. Governments should ensure that acceptable standards of forest law enforcement and governance are achieved, particularly if they wish to trade with other nations where this is a concern for consumers. Technical assistance in this area is a high priority for the FAO Forestry Department and is a concern in some countries in the CIS and South East Europe.

**D.3 Economic sustainability**

In countries with significant forest resources, skills and access to markets, there are significant opportunities for the sector to make a major contribution to economic growth (as has already happened in some new EU members).

However, the EFSOS analysis shows that such rapid growth can also threaten the long-term economic viability of forest management. Currently, this threat is felt mostly in Western Europe, where competition from the East is driving down prices and reducing forest owners’ incomes. However, these concerns have already been expressed by some new EU members and the problem is likely to extend to South East Europe and CIS countries in Europe.

**Future activities should identify the locations and sub-sectors where countries in the CIS and South East Europe have a comparative advantage and examine how the economic**
viability of forest management can be maintained and improved (including the development of payments for environmental services and improved forest products marketing). Similar activities in CIS countries in Asia may also be considered, but they are likely to require a very different approach considering the different level of economic development in many of these countries.

D.4 Social sustainability

For some countries in the CIS and South East Europe, formal employment in the forestry sector is significant and the EFSOS analysis has suggested that issues such as training, health and safety may require closer scrutiny at the national and local level. For other countries, the social contribution of the sector is more likely to be focused on informal activities that support the poorest members of society. Technical assistance in both of these areas should be a high priority for FAO and UNECE activities in the future.

D.5 Environmental sustainability

Many of the threats to environmental sustainability are specific to a few individual countries or have occurred due to short-term shocks to the sector. For example, poverty, civil disturbance or war and weak institutions have resulted in problems such as: excessive forest fires; over harvesting (notably for woodfuel); overgrazing; illegal logging; soil erosion; deforestation; forest degradation and even desertification. Furthermore, a special problem concerns the management of forests contaminated by radioactivity (e.g. as a result of the Chernobyl catastrophe). FAO and UNECE activities to support government attempts to control these problems should be developed on an ad-hoc basis as and when the need arises.

In addition to this, there is a longer-term need to continue efforts to control forest fires and to intensify international co-operation in this area. FAO and UNECE should continue to assist with strengthening international co-operation in this area and to provide technical guidance about the development of national strategies for forest fire prevention and control.

E. Approach and working methods

E.1 Sub-regional priorities

It is clear that different sub-regions within the CIS and South East Europe vary greatly in terms of the challenges that they face and their capacities within the sector. Furthermore, other agencies and existing partnerships are already addressing some of these issues in different parts of the region. Therefore, for this strategy, countries in the region have been divided as follows:

- **South East Europe**: Albania; Bosnia and Herzegovina; Bulgaria; Croatia; Romania; Serbia and Montenegro; and The Former Yugoslav Republic of Macedonia.
- **CIS in Europe**: Belarus; Republic of Moldova; and Ukraine.
- **Russian Federation**.
- **CIS in Asia**: Armenia; Georgia; Kazakhstan; Kyrgyzstan; Republic of Azerbaijan; Tajikistan; Turkmenistan; and Uzbekistan.
The Russian Federation is currently not a member of FAO, but it is included in the strategy as it is a member of UNECE. If and when the Russian Federation joins FAO, the strategy should be adjusted to account for this.

It should also be noted that the new EU members should be invited to actively participate in many of the activities proposed under this strategy. Their need for assistance is much lower than in the countries of the CIS and South East Europe, but they have a huge amount of valuable experience that they can share with the other countries and their participation is clearly within the mandate of FAO and UNECE to promote international co-operation.

E.2 Working methods

The following are some of the main activities that will be supported by FAO and UNECE:

- **Information collection and analysis.** Regular and *ad-hoc* surveys of the sector on particular topics where information is not readily available. Production of national, thematic and synthesis reports on topics of high importance to decision makers. These activities are likely to account for a major share of future activities in the region. Crucial to the success of these efforts will be detailed and comprehensive guidance and support from FAO and UNECE technical staff.

- **Meetings.** Organisation of seminars and workshops to share experiences and, where appropriate, develop international co-operation in specific subject areas. Meetings are also important to establish contacts and build the capacity of national correspondents so that they can regularly reply to international requests for information (notably the annual Joint Forest Sector Questionnaire and questionnaires for the Forest Resources Assessment). This is also likely to be a major focus of future activities.

- **Collaboration.** Collaboration between countries and with partner organisations will be essential to mobilise resources and maximise the impact of activities. Teams of specialists and networks of experts will continue to play an important role in the implementation of FAO and UNECE activities.

- **Field projects.** FAO field project resources are scarce and UNECE have no such resources. Thus, proposals for field projects must be focused on countries where the needs are high and alternative sources of support are limited. Furthermore, projects are likely to be of a short-term nature to meet unforeseen needs. Field projects are unlikely to account for a major share of future activities. However, FAO and UNECE will actively pursue opportunities to provide technical assistance to projects (in the priority areas listed above) that are funded from national and other international sources.

- **Training.** Small amounts of training may be provided as and when required, but this is likely to account for a very small share of future activities. Training should include both FAO-UNECE sponsored events and opportunities for short-term placements within the two organisations (e.g. under the FAO Academic and Volunteers Programmes).

With respect to the arrangements for co-ordination between FAO and UNECE, the annual meeting of the Team of Specialists will be the main venue for presenting the on-going activities.
of the two organisations and identifying, in detail, future priorities and activities for countries in this region.

A rolling two-year work-programme will be prepared each year, describing the outcomes that countries wish to achieve and the activities that FAO and UNECE will implement in support of these outcomes. This work-programme will be reviewed, modified and endorsed by the Team of Specialists and will then be passed for endorsement to the subsidiary bodies of the organisations (e.g. the FAO European Forestry Commission and the UNECE Timber Committee).

E.3 Resource mobilisation

The majority of resources available for the implementation of this strategy will come from the existing FAO and UNECE Regular Programmes, with small amounts of funding from the FAO Technical Co-operation Programme (TCP) where possible. It is extremely unlikely that these resources will increase in the future, so activities should continue to aim to maximise value-for-money and complementarities with existing projects and the initiatives of others. In particular, it also seems likely that activities will continue to rely on significant inputs from national authorities.

FAO and UNECE have had some success in attracting additional funding from other agencies and will continue to explore the opportunities for co-funding and pooling resources. To date, most extra-budgetary funding has been obtained in an opportunistic way rather than in a systematic manner (e.g. when countries have come to FAO or UNECE and offered to support an activity). In the future, a more systematic approach to resource mobilisation will be attempted and the Team of Specialists is expected to play a major role in this respect.

E.4 Partnerships and synergies

There are a few major institutions already working on forestry issues with countries in the region, most notably the European Commission and World Bank. FAO and UNECE will ensure that the implementation of this strategy does not overlap with these efforts, but will focus on the priority areas above in the countries that need most support. Furthermore, as noted above, FAO and UNECE will actively pursue opportunities to work together with these agencies on projects of mutual interest.

In addition to this, FAO and UNECE will continue to work closely with other major stakeholders in the region (MCPFE, industry associations, other international organisations and non-governmental organisations) and will continue to support and encourage national authorities that wish to work in partnership on these topics.

F. Summary

The following table summarises the main components of the strategy. The summary is deliberately very general, indicating the broad topics, sub-regions, activities and main partners that will be involved in the implementation of the strategy. More focused and detailed proposals for activities will be developed and submitted to the Team of Specialists each year.
### STRATEGY FOR FAO FORESTRY ACTIVITIES IN SOUTH EAST EUROPE AND CIS

**2005 – 2010**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Priority sub-regions</th>
<th>Main activities</th>
<th>Resources</th>
<th>Potential partners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data collection and analysis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic data collection</td>
<td>CIS in Europe</td>
<td>Surveys</td>
<td>RP</td>
<td></td>
</tr>
<tr>
<td>Environmental and social benefits</td>
<td>CIS in Asia</td>
<td>Surveys and reports</td>
<td>RP, EXT</td>
<td>EC, WB</td>
</tr>
<tr>
<td><strong>Policy and institutional reform</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reforms associated with transition</td>
<td>All sub-regions</td>
<td>Meetings</td>
<td>RP, PF, EXT</td>
<td>WB, ADB (Asia)</td>
</tr>
<tr>
<td>Cross-sectoral policy linkages</td>
<td>All sub-regions</td>
<td>Meetings and reports</td>
<td>RP, EXT</td>
<td>EC</td>
</tr>
<tr>
<td>Forest law and governance</td>
<td>South East Europe</td>
<td>Meetings and reports</td>
<td></td>
<td>EC, WB</td>
</tr>
<tr>
<td>Management of State forests</td>
<td>CIS in Europe</td>
<td>Meetings and reports</td>
<td></td>
<td></td>
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<tr>
<td>Management of change</td>
<td>All sub-regions</td>
<td>Meetings and reports</td>
<td></td>
<td></td>
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<tr>
<td><strong>Economic sustainability</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Studies of comparative advantage</td>
<td>CIS in Europe</td>
<td>Reports</td>
<td>RP</td>
<td>UNDP</td>
</tr>
<tr>
<td>Forest products marketing</td>
<td>Russian Federation</td>
<td>Meetings and reports</td>
<td></td>
<td>?</td>
</tr>
<tr>
<td><strong>Social sustainability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment issues</td>
<td>South East Europe</td>
<td>Reports and training</td>
<td>RP</td>
<td>?</td>
</tr>
<tr>
<td>Forestry and poverty alleviation</td>
<td>CIS in Europe</td>
<td>Meetings and reports</td>
<td>RP</td>
<td>WB, ADB</td>
</tr>
<tr>
<td><strong>Environmental sustainability</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Response to specific problems</td>
<td>CIS in Europe</td>
<td>Meetings and projects</td>
<td>RP, PF</td>
<td>UNEP</td>
</tr>
<tr>
<td>Forest fires</td>
<td>Russian Federation</td>
<td></td>
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<tr>
<td></td>
<td>CIS in Asia</td>
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<td></td>
<td>South East Europe</td>
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<td></td>
<td>Russian Federation</td>
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</table>
10.5 New UNECE/FAO Team of Specialists on support and contribution to sustainable development of the forest sector in the CIS and South East Europe

**UNECE / FAO TEAM OF SPECIALISTS ON**
**SUPPORT AND CONTRIBUTION TO SUSTAINABLE DEVELOPMENT OF THE FOREST SECTOR IN THE CIS AND SOUTH EAST EUROPE**

*Reference to Integrated Work Programme:*
Work Area 5, Programme element 5.3; and
Work Area 1: Programme element 1.3

**A. OBJECTIVES**

Enhance effectiveness of international activities intended to support and contribute to sustainable development of the forest sector in CIS and south east Europe, notably through:

- Development of a viable and efficient private sector, specifically addressing the needs of forest owners and small scale forest industry enterprises
- Enhancing the capacity of public sector institutions especially to provide an effective policy and institutional framework;
- Strengthening integration of forestry with other sectors taking into account the cross-sectoral issues;
- Improving the sharing and exchange of data, information and knowledge; and
- Identifying emerging issues and facilitating dialogue and discussion.

**EXPECTED MAJOR OUTPUTS:**
The team will identify priority issues in CEEC and CIS and promote a transparent regional discussion of priorities and best practice in reforming policies and institutions in the sector. It will be consulted on the formulation of a strategy for FAO activities for the forest sector of countries in this region. It will advise the UNECE/FAO Secretariat, on the implementation of their programmes within the framework of the integrated programme of work. It will

- Assist in the formulation of appropriate activities;
- Provide feedback on the effectiveness of the various initiatives;
- Assist in resource mobilisation in support of the various activities;
- Contribute to the sharing of knowledge and information.

**B. BACKGROUND**

**ESTABLISHED / APPROVED BY**
Joint session of the UNECE Timber Committee and FAO European Forestry Commission, Geneva, October 2004

**DURATION**
From 2005 to 2008

**METHODS OF WORK**
- Meetings and recommendations to the secretariats,
- Intensive communication among the members

*Modalities of work (schedule of meetings, communications, possible subgroups or special projects) will be determined by the team at its first meeting. Partnerships will be established with relevant governmental and non-governmental organisations, notably MCPFE.*

**REPORTING**
Once a year: to the Joint Bureaux Meeting of UNECE Timber Committee and FAO European Forestry Commission

**TEAM LEADER**
To be chosen at inaugural meeting.

**TEAM MEMBERS**
Nominations will be invited from Governments and other stakeholders. The team should be balanced between stakeholders and regions.

**RESPONSIBLE SECRETARIAT MEMBER**
*Volker Sasse, (SEUR, Budapest), FAO*
The Team held its first meeting in Budapest, Hungary on 14-16 November 2005. As a result of the discussion on the “Strategy for FAO and UNECE forestry and timber activities in the CIS and South East Europe” the team identified 14 program elements and objectives in it, evaluated and ranked them using the scale from 1 (least important) to 5 (most important) in order to get an indication about the priorities of countries or organizations the participants represented [16].

The results are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Program elements and objectives</th>
<th>Average rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improve management and marketing by non-state forest owners (e.g. associations, capacity building)</td>
<td>3.3</td>
</tr>
<tr>
<td>2</td>
<td>Promote economic viability and employment through capacity building for diversification of products/services and innovations</td>
<td>3.8</td>
</tr>
<tr>
<td>3</td>
<td>Explore income opportunities from social and environmental benefits and services by encouraging the implementation of multifunctional forest management</td>
<td>3.8</td>
</tr>
<tr>
<td>4</td>
<td>Improve state management and marketing through e.g. exploring possibilities for outsourcing of business management functions, particularly by long term leasing</td>
<td>4.4</td>
</tr>
<tr>
<td>5</td>
<td>Promote essential social and environmental benefits of forest ecosystems and wood, as a renewable and environmental friendly material for different users</td>
<td>4.2</td>
</tr>
<tr>
<td>6</td>
<td>Develop and coordinate forest land use related policies, institutions and instruments</td>
<td>3.9</td>
</tr>
<tr>
<td>7</td>
<td>Develop further law enforcement, doing an effort to reduce illegal logging</td>
<td>4.5</td>
</tr>
<tr>
<td>8</td>
<td>Promote economic viability through market reforms and market developments, e.g. support to private forest owners associations, promote innovation policies, improve access to external funds, explore possibilities for deregulation of wood production and develop forest land consolidation</td>
<td>4.1</td>
</tr>
<tr>
<td>9</td>
<td>Apply participatory approaches in policy decision making process and setup adequate institutional frames</td>
<td>3.9</td>
</tr>
<tr>
<td>10</td>
<td>Integrate target countries adequately into international processes, networks and institutions dealing with data collection, analysis and information exchange</td>
<td>4.9</td>
</tr>
<tr>
<td>11</td>
<td>Facilitate cross-sectoral dialogue between forest sector and other sectors and integrate forest policy adequately in the general economic planning</td>
<td>4.1</td>
</tr>
<tr>
<td>12</td>
<td>Monitor and analyze international assistance provided to forestry and forest industry</td>
<td>3.4</td>
</tr>
<tr>
<td>13</td>
<td>Develop nat. and internat. network on forest resources (inventories, valuation of forest ecosystems services, forest products markets, statistics, related policies and legislation databases)</td>
<td>4.1</td>
</tr>
<tr>
<td>14</td>
<td>Provide public access to data and information and to promote better communication between involved stakeholders</td>
<td>3.5</td>
</tr>
</tbody>
</table>
11 What lessons have we learned from the transition process and what are the challenges ahead

Bilateral and multilateral activities on assistance and co-operation with the forestry and forest product sectors of countries in transition have been going on for more than 15 years. Different levels of the transition reforms have been achieved in different countries. The follow up process has to take into account the initial situation at the beginning of the transition process, changes implemented during the first phase of the transition as well as the recent situation in a particular country to identify the appropriate measures for the future solutions.

Therefore, the strategy for FAO and UNECE on cooperation with countries in transition has recognized this situation and countries have been grouped according to sub-regions. The grouping presented below is different from that in the Strategy, taking into account also the stage achieved by countries in the transition process. The grouping does not have an intention to propose the same solution for each country in the respective group. The conclusions accepted by the participants of the seminars in Florence (chapter 5.1.1) and Debe (chapter 5.4),- that it is not possible to set up a unique transition pattern that can be followed by each country - is still valid. The grouping just reflects some similarities in the basic problems of the transition process to help to structure them and to take appropriate measures by the countries themselves as well as by the international society.

The grouping is as follows:
- New members of the EU (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia)
- EU applicant countries (Bulgaria, Croatia, Romania, Turkey)
- South East Europe (Albania, Bosnia and Herzegovina, Serbia and Montenegro, The former Yugoslav Republic of Macedonia)
- CIS in Europe (Belarus, Moldova, Ukraine)
- The Russian Federation

New members of the EU

The transition process in those countries was officially finished when they joined the EU in May 2004. Nevertheless, the process of movement towards full integration, mainly economic, will continue for several decades. There are also some aspects of the reform in the forest sector, which countries should still deal with for several years. Those aspects were discussed in chapter 8.

The advantage of the new EU member countries is in their direct participation in the decision making process, where they can put forward proposals fostering the accomplishment of the transition process. The other advantage is in their access to the Structural Funds and the Cohesion Fund, which are the financial instruments to speed up economic, social and territorial convergence, as well as to narrow the development disparities among regions and Member States.

However, the new EU members have accumulated a huge amount of experience and knowledge during their forest sector reform. These lessons learned could be transferred to other countries in transition to help them to speed up the reforms in their forest sectors. Their bridging role between the traditional market economies and the transition countries is irreplaceable. It can be
recognized that those countries feel some obligation to extend the positive outcomes of the international cooperation to those who are going through the same exercise. The new EU members have begun to play an active role in organizing seminars, workshops and other events in recent years, including providing financial support to the participants from the transition countries. The hosting of the MCPFE Liaison Unit by Poland and the FAO Sub-regional Office for Central and Eastern Europe by Hungary is also recognized as a significant contribution.

Possible forms of future cooperation are:

- Organization of workshops and seminars on lessons learned from the transition process and transfer of them to the countries in transition
- Financial support and in-kind support for those seminars and workshops
- Study tours for decision makers
- Exchange of students and experts
- Joint research projects
- FAO Trust Fund projects
- Joint projects in the EU INTERREG programmes
- Participation in the projects of the EU International Association for the Promotion of Co-operation with the Scientists from the New Independent States (NIS) of the Former Soviet Union (INTAS)

**EU applicant countries**

This group of countries has made substantial progress in the transition process. Each of them has its specific problems; however the common issues to be dealt with are quite similar to those which the new EU member countries have been dealing with during the last few years of the transition process:

- Capacity building in the non-state forest sector
- Capacity building in the state forest administration
- Implementation of ecologically, socially and economically balanced forest management
- Improving cost efficiency in the forest management practices
- Implementation of innovative and efficient technologies
- Implementation of more environmentally-friendly technologies
- Improvement of marketing and pricing skills
- Increasing investments in the forest industries
- Increasing investments in the infrastructure

They can profit mainly from participation in the EU negotiation process and from the cooperation in it with the neighbouring new EU member countries. In addition there are opportunities for a broader cooperation based on bilateral agreements with the western donor countries and agencies, as well as from the multilateral cooperation through programs such as:

- FAO Technical Cooperation Programme
- FAO Fellowships Programme
- FAO National Forest Programme Facility
- Pre-accession financial instruments (Phare, ISPA and SAPARD)

**Other groups of countries in transition**

There have been several workshops and seminars during the last 2 – 3 years on the formulation of priorities and ways of cooperation with those groups of countries. The situation is similar to
that at the beginning on 1990s with the recent new EU member and applicant countries. However, the outcomes of the recent meetings are rather different than those of 10 years ago. They are more declarative than action oriented. There is a huge variation of natural, economic, social and other conditions in those countries. That is the reason why it is not so easy to put forward few generally useful proposals for actions. Also the starting position was in almost all of those countries different to that in the new EU member and applicant countries. At least the following issues are of crucial importance:

- basic institutional structure should be established in the majority of countries
- data track on forest resources and the system for forest inventory, data collection, processing and dissemination is missing in some countries
- research, educational, training and extension institutions are weak or even missing
- the private forest sector is very weak or does not exist
- post war reconstruction is necessary in some countries

Nevertheless, the experience from the previous years could be, at least partly, used. Three main programme areas of the international cooperation identified at the beginning of the transition process are of a general value also in those countries:

- Building of legal, policy and institutional infrastructure and framework conditions for sustainable development of the forest sector
- Development of market oriented and ecologically sound enterprises
- Issues of general importance for forest protection, forest conservation and sustainable development.

Also many outcomes and recommendations adopted by the workshops and seminars, which were analysed in the chapters 5.1 – 5.4 could be a good source of inspiration during the next stage of the transition process. Of course, there are many new specific emerging issues which should be taken into account when the future actions of international cooperation are proposed. These issues include law enforcement, illegal logging, corruption, forest fires and other.

However, the crucial issue is to have people ready to deal with the problems and fully committed to solve them. Without people who fully understand the complexity of the sectoral and cross-sectoral aspects of the transition of the forest sector towards the market economy the success of the process is in doubt. Therefore the capacity building issue is the most important one.

The transition process is long. It has already lasted 15 years and it is expected to continue even longer. There is still a clear commitment of all parties involved to keep it going on. Nonetheless, two additional lessons should be taken into account:

- Love after 15 years of, even happy, marriage is rather different than during the honeymoon
- Long distance trips need refuelling
References

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