

2007



PROCEEDINGS

International Conference

Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States

Pushkino 21-22nd March 2007

Ján Ilavský and Elina Väkky (eds.)

METLA

PROCEEDINGS

International Conference

Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States

A contribution to the implementation of the Ministerial Conference on the
Protection of Forests in Europe Resolution H3 on Forestry Cooperation
with Countries with Economies in Transition

Pushkino 21-22nd March 2007

Edited by Ján Ilavský and Elina Väliky

Finnish Forest Research Institute METLA
All-Russian Institute for Continuous Education in Forestry ARICEF
Ministry of Agriculture and Forestry of Finland

In collaboration with the Joint FAO/ECE/ILO Experts Network to implement SFM

Ilavský J. and Väliky, E. 2007. Proceedings of the International Conference “Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States” 270 p.

Publisher: Finnish Forest Research Institute, Joensuu Research Unit,
Yliopistokatu 6, FIN-80100 Joensuu, FINLAND

Key words: forest policy, forest sector reform, countries with economies in transition,
Russia, new EU Member States

Cover
photographs: Juha Laitila, Lauri Sikanen, Sari Karvinen

Layout: Leena Karvinen

ISBN 978-951-40-2054-4

Printing: Kopijyvä Oy, Jyväskylä

FOREWORD

These proceedings result from the presentations of the international conference “Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Accessing the Experiences of the New EU Member States” held in Pushkino, Russia, on 21-22nd March 2007. The objective of the conference was to discuss the various choices of strategy in forest policy, administration and financing made in the transition countries of Central and Eastern Europe, in Russia and in some countries of the Commonwealth of Independent States after the collapse of the Soviet Union.

The conference is one of the results of the project “Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries” coordinated by the Finnish Forest Research Institute (METLA) and funded by the Ministry for Foreign Affairs of Finland through the Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia (NWRDP III) coordinated by the Finnish Ministry of Agriculture and Forestry.

The conference brought together high level forest policy experts from 15 Central and Eastern European countries and 4 international organisations. The total number of conference participants was close to 90. Two days of stimulating and interesting presentations and lively discussions resulted in the formulation of a Message from the conference participants to the 5th Ministerial Conference on the Protection of Forests in Europe to be held in Warsaw 5-7th November 2007.

We gratefully acknowledge the contribution of all the invited speakers - without their time and insightful presentations the conference would not have been possible. Special thanks to the chairpersons of the conference sessions: Timo Karjalainen, Nadezhda Lovtsova, Jari Parviainen and Christian Salvignol. Furthermore, the active participation of the seminar participants is gratefully acknowledged.

We would like to thank the All-Russian Institute for Continuous Education in Forestry and Rector Anatoly Petrov for hosting the conference. Staff of the institute - in particular Natalia Bulygina and Zhanna Gerasimova - deserve special recognition for coordinating the event and the dealing with the complex logistics involved.

In closing we would also like to thank the Finnish Ministry of Agriculture and Forestry for their financial support in organising the conference.

September 21st, 2007

Ján Ilavský
Senior Researcher
Finnish Forest Research Institute

Elina Välkky
Researcher
Finnish Forest Research Institute

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ACRONYMS AND ABBREVIATIONS

ARICEF	All-Russian Institute for Continuous Education in Forestry
CEEC	Central and Eastern European Countries
C&I	Criteria and Indicators
CiT	Countries in Transition
DF	Directorate of Forests
EC	European Commission
ECE	Economic Commission for Europe
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDF	Forest Development Fund
FSC	Forest Stewardship Council
ILO	International Labour Organisation
ICP	International Cooperative Programme
MAFF	Ministry of Agriculture, Forestry and Food
MAFW	Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia
MCPFE	Ministerial Conference on the Protection of Forests in Europe
METLA	Finnish Forest Research Institute
MFP	Multifunctional Planning Process
NFA	National Forest Administration
NFB	National Forestry Board
NFP	National Forest Programme
NFPS	National Forest Policy and Strategy
NGO	Non-governmental organization
NTFP	Non-Timber Forest Product
NWRDP	Northwest Russia Development Programme
RDP	Regional Development Programme
SFM	Sustainable Forest Management
SFS	State Forest Service
SME	Small and Medium-sized Enterprise
TBC	Transboundary Cooperation
ToS	Team of Specialists
UN	United Nations
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WB	World Bank

OPENING REMARKS

Chairman Ján Ilavský

Finnish Forest Research Institute METLA



Presentations

Opening of the conference

Ján Ilavský, Senior Researcher, Finnish Forest Research Institute METLA

Opening address on behalf of the Ministry of Agriculture and Forestry of Finland

Mari Kurki, Ministry of Agriculture and Forestry of Finland

Opening address on behalf of the All-Russian Institute for Continuous Education in Forestry

Anatoly Petrov, Rector, All-Russian Institute for Continuous Education in Forestry

Opening of the conference

Dear ladies and gentlemen, distinguished colleagues,

It is my privilege and pleasure to welcome you, on behalf of the organizing institutes the Finnish Forest Research Institute, Joensuu Research Unit and the All-Russian Institute for Continuous Education in Forestry, to the international conference “Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States” here in Pushkino. I am really glad to see that the topic of the conference and its program has stimulated such interest that almost 90 participants from 15 countries and 4 very important international organizations are represented here.

To set the background for fruitful discussions let me provide you with the basic information regarding the objectives of the conference and anticipated outcomes after two days of discussions. The conference is being organized as a part of the project “Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries”, within the Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia. The main objective of the project is to strengthen the capacity of the forestry personnel currently employed in the state forest sector both at the strategic federal and regional levels in Northwest Russia. This will be achieved through the transfer of experiences and lessons learnt from other transition countries on relevant policy instruments and their impacts on regulatory framework and institutional development in those countries.

We have set tangible goals for the conference with the aim of improving our understanding of the development strategies in forestry, including legislative basis and other regulatory and development framework as well as relevant forest policies and related instruments in countries with shared problems and conditions via exchanging of information and views on common or specific problems. Each country had its specific conditions at the beginning of the transition process and has chosen specific ways to deal with them. Thus, there are a variety of lessons we have learned and many solutions we have achieved. Some of them are successful, others not so and some even made the situation worse. The main aim of the conference is to benchmark those successful solutions.

There has been a long list of important problems to be dealt with when we started discussions regarding the scope of the conference. Finally we have chosen 4 issues for the programme: 1. forest policies and their instruments supporting sustainable forest management; 2. state forest administration and institutional framework; 3. management of state owned forests; and 4. financing sustainable forest management. Of course, other topics could have been selected, but we believe that those are emerging issues for the creation of a well established forest sector in any country. For each of those topics 6 highly experienced speakers have been invited. One from a country with long tradition of market economy, two from the new EU member countries, one from either countries of Southeast Europe and from the Commonwealth of Independent States and two from the Russian forest sector. This structure gives us a unique opportunity to address each issue from different views. I would like to express my gratitude to all the invited speakers for their willingness to come and share their experiences with others. The final session of the conference is designated for the formulation of the best lessons we have learnt and recommendations of how to strengthen and accelerate the transition process in our countries. I do hope the results will prove to be really significant.

In conclusion, I would like to stress the importance of the international cooperation in supporting the transition process. The key role of the Ministerial Conference on the Protection of Forests in Europe and its Resolution H3 should be recognized as a milestone of the commitment of the international society for support of the transition process. Also the role of the FAO European Forestry Commission and the UNECE Timber Committee in facilitating the process is irreplaceable. Let me to express our appreciation for the presence of the Head of the MCPFE Liaison Unit in Warsaw as well as participation of the Chairman of the Joint UNECE/FAO/ILO Experts Network to implement SFM.

Last but not least, allow me to acknowledge our appreciation of the Finnish Ministry of Agriculture and Forestry for its support and for the financial contribution to cover the organizational costs of the conference.

I wish you a very fruitful conference and enjoyable two days in Pushkino.

Ján Ilavský, Project Coordinator

Opening address on behalf of the Ministry of Agriculture and Forestry of Finland

Dear Ladies and Gentlemen,

During the last few years Russia has initiated a process aiming at a reform of the national forest policy, which will define the direction of development in the Russian forest sector for the coming decades. The new policy will establish the strategic development objectives for forestry and forest industry, different forest uses and involvement of the state in the management of forests and their regeneration. Sustainable development in the forest sector will be based on effective forest resource management enabled by pertinent renewed state policies.

Since 1997 the Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia (NWRDP) has been an important tool for bilateral cooperation in promoting sustainable forest management and nature conservation in the region. A great deal of knowledge, information and experience has been gained and exchanged between the two countries through commitment of the concerned parties involved in the joint development effort.

Based on the experiences gained during the implementation of the previous phases of Finnish-Russian cooperation, the ongoing Phase III of NWRDP concentrates on the development of forest sector training and education. More specifically, the focus is on the improvement of further training for the forestry personnel currently employed in the state forest sector.

One of the most crucial approaches in the Programme is the creation of the basis for educational reforms in the forestry sector in Northwest Russia. This important issue is addressed firstly by transferring experiences and lessons learned from other transition countries. These countries have faced or are facing similar problems in their forestry sector reform processes and have selected various kinds of policy instruments to solve them. Some of these forest policy objectives and development instruments are likely to be valid also in the Northwest Russian context.

Seminar "Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States" organised in a framework of NWRDP, is a successful attempt to draw conclusions and make suggestions as to what extent and how to transfer experiences and results from other transition countries to federal, regional and district levels in Northwest Russia, particularly within state forestry.

Mari Kurki, Ministry of Agriculture and Forestry of Finland

Opening address on behalf of the All-Russian Institute for Continuous Education in Forestry

Dear ladies and gentlemen,

The Forest Code of the Russian Federation enforces a radical structural and economic reform of the system of forest administration and management. The reform is carried out by:

- decentralizing forest administration by delegating fundamental executive powers to Federal Subjects of the Russian Federation
- making a division between state administrative functions and economic business functions in the forest sector
- transferring the economic functions of forest management to private forest companies in the form of forest leasing

Since the privatization of forest industry in the beginning of the 1990's, the forest sector of the Russian Federation has been left out from all reforms up till the adoption of the new Forest Code in the end of 2006. Forest administration and management were carried out by a state monopoly established by the Soviet system in the 1930s.

On January 1st, 2008 this monopoly, represented by state organisations *leskhozes*, will be reorganised by establishing:

- new state institutions (*lesnichestvo*) working under the State authorities of the Federal Subjects with an anticipated 25 000 - 30 000 workers. These structures are designated to carry out planning and control of the activities of the forest users in the fields of utilization and regeneration of forests.
- state business units designated to manage those forest areas, which are not of interest to private companies. It is expected that the annual volume of harvestings (mainly thinnings) of these units will be around 50 million m³ with a workforce of 120 000 people.

In order for the above mentioned new institutions to work effectively, it would prove to be invaluable to study the experiences in managing state forests in the Central and Eastern European countries with economies in transition, who have already finalized the economic and structural reforms in their forest sector. The on-going conference "Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States" provides an opportunity for gaining this knowledge.

A continuation for the conference could be consulting services of experts from the European Union Countries in organising seminars and study tours.

A.P. Petrov, Rector

GENERAL OUTCOMES OF THE CONFERENCE AND RECOMMENDATIONS FOR FUTURE ACTIONS

The outcomes of the international conference “Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States” are based on the findings presented by the experts from different countries as well as on the discussions during the conference. The listed objectives for the future development and the instruments for achieving those objectives are not ranked according to their importance, as the objectives are of varying importance for particular countries and also instruments for their achievement could differ depending on the specific conditions in the forest sector of the country. It also means that not all the listed objectives and instruments to achieve them could be applied to all countries. The outcomes are divided into three groups: in particular for the new EU member countries, for the Russian Federation and for other Southeast European and CIS countries.

New EU member countries:

Generally accepted lesson learned from the transition process: ***It is a long lasting process requiring regular valuation of achievements and adjustment of next steps.***

Long term development objectives:

- Forest and forest land is sustainably managed
- Forest based industries are competitive and meet consumer needs
- Knowledge and skills of human resources ensure reaching long term objectives

Instruments for achieving the long term objectives:

- Participation of all stakeholders, transparent and consensual approach in the decision making process
- Formulation of clear decisions that are accessible to the public
- Development of criteria for monitoring sustainable forest management
- Cross-sectoral coordination of the development plans
- Simplification and harmonization of the forestry financing system
- Monitoring of forestry outputs not only in technical units, but also in monetary values
- Financing should be divided into 3 categories:
 - compensation for economic losses (caused by restrictions in forest management)
 - purchase of particular services by governmental or societal authorities
 - production (market) subsidies for securing sustainable forest management and innovations
- Combination of financial sources from business activities in forestry, from public sources and from EU subsidiary schemes should be utilized to achieve long term viability of sustainable forest management
- Increase of additional economic activities in utilizing non-wood forest products and services of forests
- Creation of supporting policies and development targets to increase efficiency of the management of state forests
- Finding political solution for balance between commercial (marketable) and societal (non-marketable) functions
- Use of benchmarking as a tool for making development decision
- Establishing information system based on modern IT
- Organizations managing state forest assets are independent from the state budget, having mainly status of autonomous public enterprise
- State forest agencies increasingly use outsourcing of services
- Strengthening of private forest sector through capacity building and extension, for example
- Encourage private forest owners to allocate income from forestry to forest state improvement (recently it is often allocated out of forests), to secure economical viability of SFM

The Russian Federation

The key strategic goals of the new forest policy in the Russian Federation are:

- To convert the huge biological resources of wood into economic values (gross domestic product, added value and profit)
- To establish new balance of power between Federation, Subjects of Federation and Private Business
- To separate forest management and forest administration
- To establish competitive environment in forest sector, including forest management

Instruments for achieving the long term goals:

- Establishment of competitive environment in the forest sector (via contractual organization of work)
- Division of administrative and economic functions and establishment of new organizational structure in forestry
 - Lesnicestvo for executing state authority functions
 - State commercial enterprises for economic activities
- Avoidance of concentration of different functions in one executive authority
- Consideration of regional specificities when defining methods and norms of forest management
- Regional special features of forest planning must contain elements of economic evaluation
- Continuity for business environment should be kept when changing legislation. Business must be sure its rights deriving from legitimate acts of the state are protected.

Southeast European and CIS countries in the process of transition:

Key challenges:

- Rapid changes in the forest ownership pattern during the restitution process
- Reduction of the area managed by the state forest enterprises and thus need for frequent changes in their organizational structure
- New competitors for the state forest enterprises in timber market
- Increasing pressure from local communities and NGOs to reduce wood harvesting, hunting, forest roads construction and other activities in forests
- Social responsibilities and impacts

Instruments for achieving the long term goals:

- New state forest sector policy and tools for its implementation; harmonize policies of other sectors influencing the forest sector (environment, energy, etc.)
- Appropriate legislative framework
- Forest law enforcement to prevent illegal activities
- Forestry institutions set-up to be in line with their new functions; separate supervisory and managerial functions
- Improvement of financing system of the forest sector
- Better capacity building (education, training, extension and research)
- New role of state forest enterprises and their structure
- Regular forest inventories and monitoring of forests
- Strengthen management of private forests; support for forest owners associations
- Creation of a modern forest information system (collection, processing and dissemination of data and information)
- Improvement of infrastructure in forestry, forest roads network
- Formation of transparent timber market, improving marketing skills
- Use of more environmentally friendly and economically efficient forest technology

MESSAGE

from the International Conference
“Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by
Assessing the Experiences of the New EU Member States”

TO
THE 5TH MINISTERIAL CONFERENCE ON THE PROTECTION OF FORESTS IN EUROPE

to be held in Warsaw, Poland, on 5-7th November 2007

The experts, representing Belarus, Bulgaria, the Czech Republic, Estonia, Finland, France, Latvia, Lithuania, Poland, Romania, the Russian Federation, Serbia, Slovakia, Slovenia, and Ukraine, as well as the representatives of the MCPFE Liaison Unit Warsaw, the Joint UNECE/FAO/ILO Experts Network to implement SFM, IUCN - The World Conservation Union and WWF – World Wildlife Fund, participating in the international conference “Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Assessing the Experiences of the New EU Member States” held in Pushkino, Russia, on 21-22nd March 2007, have addressed issues relevant to the environmental, economic, social and cultural importance of forests and the forest sector in their respective countries.

The forest sector represents one of the most important sectors of economy in many of the Central and Eastern European countries. Forests and other wooded land cover more than 960 million hectares of the region (including the Asian part of the Russian Federation), which accounts for about one quarter of the world’s total forest area. Forests are important in the majority of these countries as an economic factor, producing wood and non-wood resources for industrial development, exporting, with the employment and income impacts being especially important in rural areas. However, the contribution of forests to environmental stability, biodiversity conservation, and their social, cultural, recreational and other non-productive functions are of even greater importance.

The Conference noted that the transition process from the planned economy in the forest sector involves a number of political and macroeconomic reforms, which have a much greater impact on the various countries’ progress towards a market economy than do changes in any other sector of the economy.

The participants recognized the importance of international cooperation in fostering the transition process. The adoption of Resolution H3 at the 2nd Ministerial Conference on the Protection of Forests in Europe in Helsinki in 1993 on Forestry Cooperation with Countries with Economies in Transition, in which the signatory countries committed themselves to provide assistance in the forest sector’s transition, was the most important step forward in international cooperation.

Great appreciation was expressed also to the FAO European Forestry Commission and the UNECE Timber Committee for their commitment to monitoring the implementation of Resolution H3 to facilitate the transition process by including monitoring in their joint program of work and to review the whole program of assistance to ensure it was in accordance with countries’ needs, as well as affective and efficient.

The major goals at the beginning of the transition process were more or less the same in most countries. Nevertheless, the various countries launched the process from different levels of economic development, with differing internal political situations, different cultures and national customs. The transition process in the forest sector was influenced also by differences in the importance of the sector to the national economy, different natural conditions, different forest ownership structures, different states of the forests, and other factors internal to the forest sector. All of these pre-existing conditions have led to the present situation, wherein the countries are at different stages of the transition process.

Ten countries in Central and Eastern Europe have successfully accomplished the first phase of the transition from planned to market economy and this has also led to their becoming EU member states. They expressed their readiness to make available their experiences and lessons learned during the transition process to other countries of the region. It was emphasized that such cooperation and assistance is needed in particular among the countries in Southeastern Europe and within the Russian Federation.

Therefore, the representatives of the countries and international organizations participating in the conference call upon the 5th Ministerial Conference on the Protection of Forests in Europe to reconfirm and reinforce its political commitment fostering the transition process to the market economy in all countries of the region by supporting international cooperation in the forest sector. Capacity building in state forest administration, in the non-state forest sector, as well as in research, education, training, and extension are of utmost importance. Moreover, cooperation in the development and implementation of forest policies and national forest programmes is of great importance in ensuring that all forests in the region are managed according to the principles of environmental, economic, social and cultural sustainability.

KEY ADDRESSES

Ministerial Conference on the Protection of Forests in Europe: political commitments and cooperation with Countries in Transition

Piotr Borkowski, Head of the MCPFE Liaison Unit Warsaw

The transition process from the centrally planned to the market economy in the forest sector
- Lessons learned and challenges ahead

Ján Ilavský, Senior Researcher, Finnish Forest Research Institute

Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia

Elina Väliky, Researcher, Finnish Forest Research Institute

Project “Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries”

Ján Ilavský, Senior Researcher, Finnish Forest Research Institute



Ministerial Conference on the Protection of Forests in Europe (MCPFE): Political Commitments and Co-operation with Countries in Transition

Piotr Borkowski
Head of the Liaison Unit Warsaw
Ministerial Conference on the Protection of Forests in Europe

MINISTERIAL CONFERENCE ON THE PROTECTION OF FORESTS IN EUROPE
LIAISON UNIT WARSAW

Contents

- MCPFE Process – goal, structure
- 17 years of commitments to European forests
- MCPFE Commitments with CiT
- Next steps



MCPFE Process

- Voluntary cooperation on forest policy issues in Europe

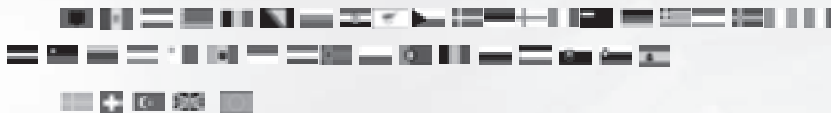
Overall goal: Promotion of sustainable forest management (SFM) through participatory and open cooperation

- Addresses common policy issues
- Commitments adopted at high political level

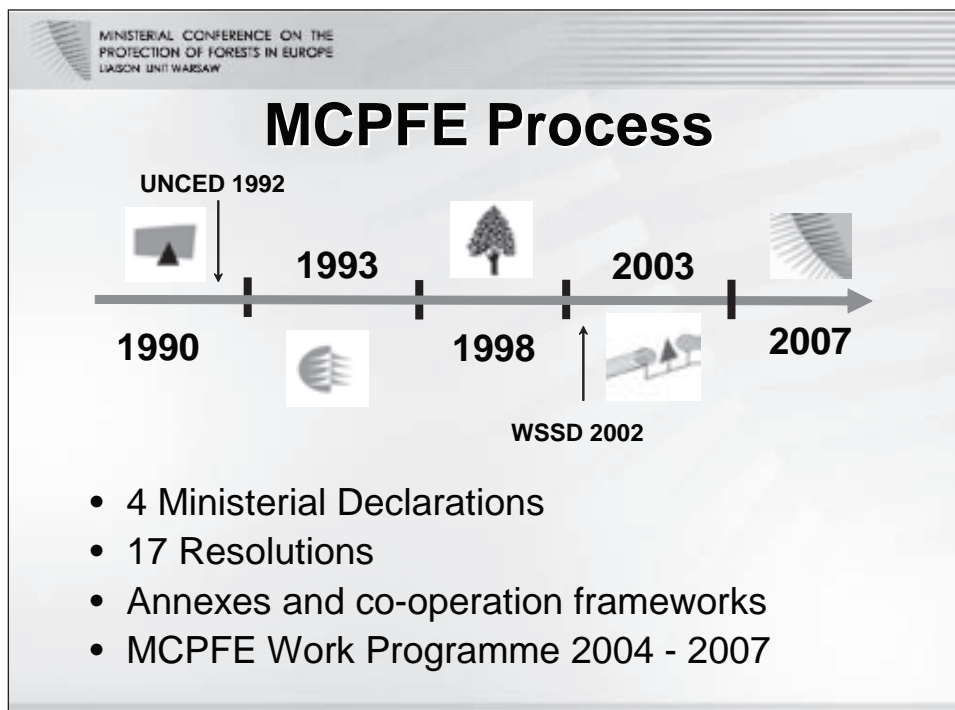
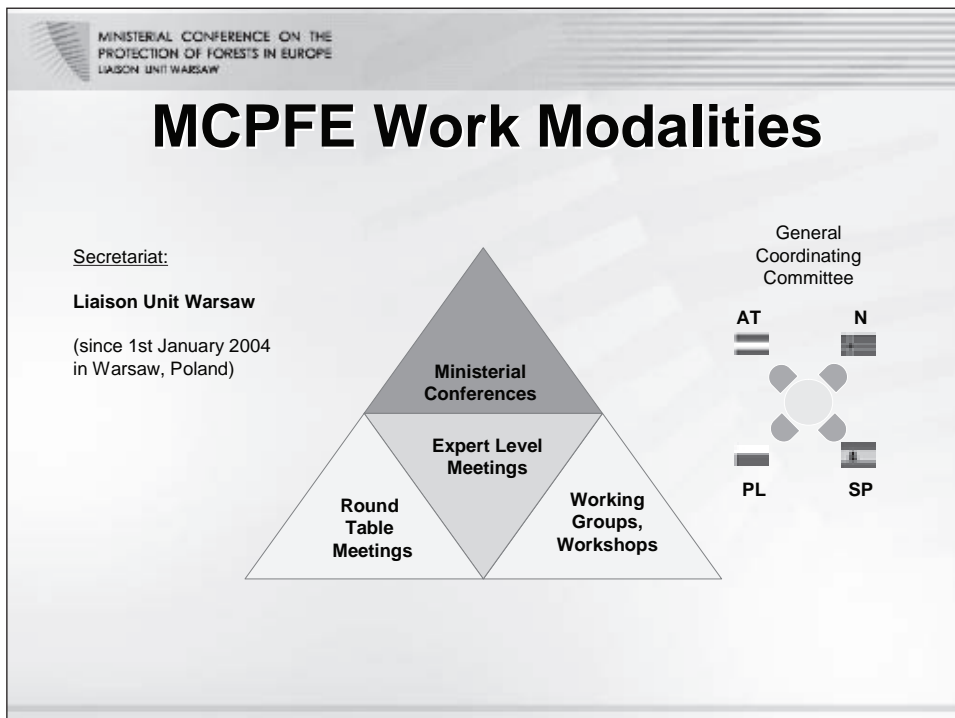


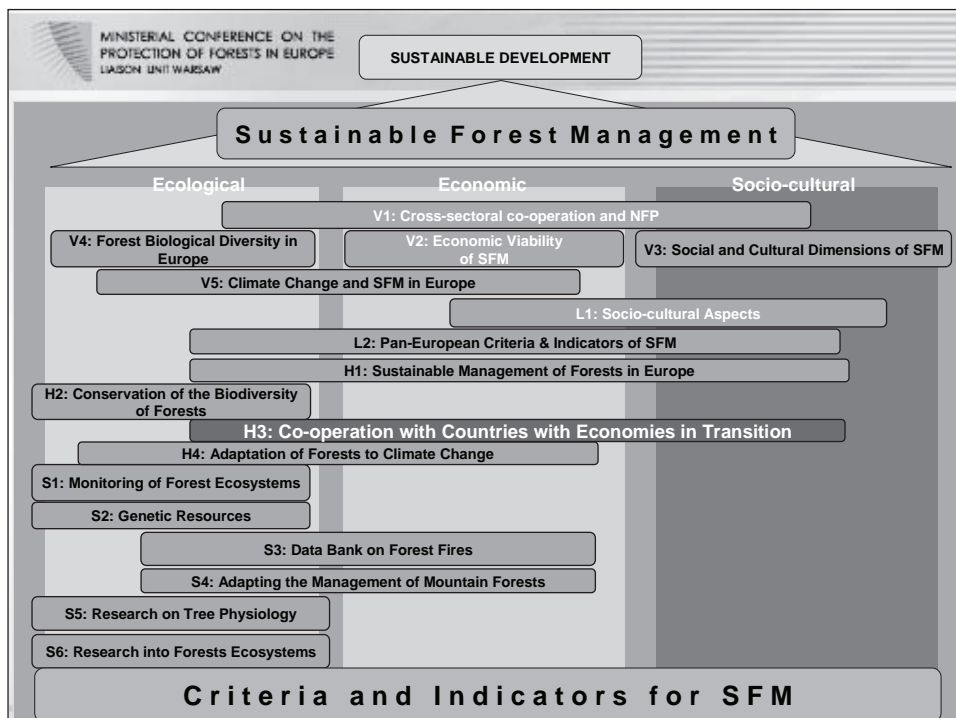
MCPFE Process

- Co-operation and dialogue throughout the continent



- Signatories: 46 European states +EC
- Observers: 44 non-European countries and int'l organisations
- Stakeholders participation





MINISTERIAL CONFERENCE ON THE PROTECTION OF FORESTS IN EUROPE
LIAISON UNIT WARSAW

Commitments with CiT

Strasbourg/Helsinki

Strasbourg 1990: - continent wide co-operation

Helsinki 1993 - Resolution H3:


Forestry Cooperation with Countries with Economies in Transition

- ➔ UNECE/FAO – international co-ordinator of implementation (ToS), more than 650 projects in H3 Access Database

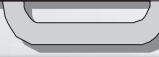
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Commitments with CiT

Resolution H3



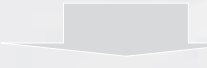
- Encourage CEECs to promote SFM according to H1
- Develop joint actions: bilateral and multilateral projects on technical, scientific, institutional and legal matters
- Develop information exchange and monitoring systems on transboundary forest damaging factors
- Involvement of FAO, UNECE, UNEP, UNDP WB, EC and NGOs
- Further promote transfer of knowledge, capacity building, joint research projects and development of NFPs in CiT
- International exchange of experts, researchers and students



MINISTERIAL CONFERENCE ON THE PROTECTION OF FORESTS IN EUROPE
LIAISON UNIT WARSAW

Commitments with CiT


Lisbon 1998



Lisbon follow-up:

CEECs part of work programme

- International workshop on Forest and Forestry in CEEC – the transition process and Challenges Ahead (Dębe, Poland)
- Continuation of UN-ECE/FAO work on CiT





Commitments with CiT

Vienna 2003

Vienna “Living Forest Summit” Declaration

- Address the challenges that forest owners are facing in CEECs, especially those related to changes in forest ownership
- Further develop co-operation among countries with different socio-economic situations, especially with regard to Central and Eastern Europe



Commitments with CiT

Vienna 2003

Vienna Resolution V 1: Cross-sectoral Co-operation and National Forest Programmes

Annex 1: *MCPFE approach to NFPs*

- Build new capacities by means of training, education and research and making best use of existing capacities in CEECs (capacity building)

Commitments with CiT

Vienna 2003

Vienna Resolution V 2:

Enhancing Economic Viability of SFM

- Promote the development and encourage the participation in associations of forest owners, of the forest workforce and forest entrepreneurs, in particular in CEECs

MCPFE next steps

- HLM of MCPFE ministers (20 September, 2006, Warsaw, Poland)
- ELM (9-10 October, 2006, Warsaw, Poland)
decisions:
 - Timing for the ministerial summit in Warsaw
 - Content
 - Format of the conference and the documents



MCPFE next steps

5th MCPFE (5-7 November 2007, Warsaw, Poland)
"Forests for Quality of Life"

1. *Warsaw Ministerial Declaration* - MCPFE role as regional forest-policy process

- Vehicle for forest policy in Europe
- Interface between int'l & national levels
- Contribution to the international forest dialogue

2. Issues to be raised in *Warsaw Resolutions*:

- Wood, biomass, energy
- Forests & Water



Thank you for attention
Большое Спасибо



See you in Warsaw!
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The transition process from the centrally planned to the market economy in the forest sector – lessons learned and challenges ahead

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1. Introduction

There have been deep and sudden changes in the forest sector of Central and Eastern Europe, including the former Soviet Union, during the last 15 years, resulting from the collapse of the centrally planned system. Political movements have led to substantial changes of the political map of Europe with several new countries on it. The former centrally planned economies have started a new process of transition towards market economy conditions.

The forest sector represents one of the most important sectors in many of the countries concerned. Forests and other wooded land cover 9.8 million km² 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.

2. International cooperation supporting the transition process

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.

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.

The most important step forward in the international cooperation was 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 the signatory countries committed themselves to provide assistance in the forest sector's transition. The Resolution has 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.

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

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.

3. Transition from the centrally planned to the market economy is a long lasting process

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 peacefully some with war conditions.

Despite many similarities, the transition process 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 and some other issues have had to be taken into consideration during the transition process of 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 development has been better adapted to the market economy conditions were identified and those countries

have completed the first stage of transition through EU membership. Other countries have also been taking different routes in their transition to the market economy.

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 UN-ECE/FAO [ECE/TIM/DP/24], 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%.

4. Country specific approach in the accomplishment of the transition process is needed

Currently conditions vary enormously between the countries, as they have reached different levels of the transition process. Therefore, the strategy on future cooperation with countries in transition has to take into account also the stage achieved by countries in the transition process and specific conditions in the particular countries. In order to deal with specific problems of different countries, appropriate strategies and tailor made solutions should be based on scientific analysis of lessons learned during the transition process and on the analysis of future needs of the countries.

Despite the fact that it is not possible to set up a unique transition pattern that can be followed by each country, analyses show that there is a possibility to cluster countries to several groups with similar problems. This helps to identify appropriate actions needed and to select the best possible solutions to foster the transition process.

The grouping does not have an intention to propose the same solution for each country in the respective group. It 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 EU members (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia)
- EU applicant countries (Croatia, 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 EU members are the forerunners of the transition

The transition process in those countries was officially finished when they joined the EU. 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.

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 member countries 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.

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.

The most important issues on which the internal attention and the international cooperation should be focused to accomplish the transition process in the 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.

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 different EU funds, which are the financial instruments to speed up economic, social and territorial convergence, as well as to narrow the development disparities among regions and the 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.

Possible forms of future cooperation are:

- Organization of workshops and seminars on lessons learned from the transition process and transfer of them to the other 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 and other EU programmes

EU applicant countries benefiting from the accession process

This group of countries has made substantial progress in the transition process. Each of them has both specific and common problems.

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

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 15 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 during the past decade, 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.

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 recent situation and lessons learned during the transition process.

5. Education and science are bridging the barriers

The crucial issue in the transition process is to have people ready to understand the problems, to deal with them and be fully committed to solve them. The complexity of sectoral and cross-sectoral aspects of the transition of the forest sector towards the market economy needs new knowledge and information. Therefore the international cooperation in education, research, training and extension are of crucial importance for the successful accomplishment of the transition in the entire region.

Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia

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Russian forest legislation is currently undergoing significant changes. The implementation of the new Forest Code has created a need to renew a substantial number of practical forestry guidelines, thus making it necessary to organise further training for a significant number of people working in the Russian forestry administration. To support this massive task of further training, the Finnish Ministry of Agriculture and Forestry and the Russian Federal Forestry Agency have launched a Forest Sector Capacity Building Programme with a number of education-related projects under the umbrella of the Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia (NWRDP). The conference "Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Accessing the Experiences of the New EU Member States" is one of the outcomes of this Programme.

The Finnish-Russian Development Programme on Sustainable Forest Management and Conservation of Biological Diversity in Northwest Russia is a bilateral cooperation programme between Finland and Russia covering both forestry and biodiversity issues. Since 1997 a significant part of the cooperation between Finland and Russia in the field of sustainable forestry and nature conservation has been organized in the framework of the NWRDP programme through bilateral projects. From the Finnish side the forestry related projects are coordinated by the Finnish Ministry of Agriculture and Forestry and funded by the Ministry for Foreign Affairs of Finland. The Russian coordinator and financier of the projects is the Ministry of Natural Resources. The overall objectives of the programme have been to promote the development of sustainable forest management in Northwest Russia and to support the operational preconditions of the Finnish forestry organisations in Russia. The geographical scope of the programme covers the Republics of Karelia and Komi, as well as the Arkhangelsk, Murmansk and Leningrad regions.

The NWRDP programme is divided into three phases. During the first phase (1997-2000) the foundation was laid for future cooperation. The second phase (2001-2004) concentrated on forest management practices, forest planning and information systems, forest certification and bioenergy. In 2005 the Programme entered the third phase (NWRDP III), where the particular objective is to support the reform process of the Russian forest education sector. The focus is especially on further training.

The overall objective of the Forest Sector Capacity Building Programme (NWRDP III) is to develop efficient and competitive further training systems for improving the competence and performance of the forest sector employees, to establish supportive educational structures and programmes, and to improve training capacities. The Programme finances, during 2005-2009, five different projects with a number of subprojects:

- Project 1 Development of the Normative Basis of Sustainable Forest Management at Region Level (Leningrad oblast)
- Project 2 Improved Educational Structure and Training Delivery System in the Forest Sector at the Regional Level
- Project 3 Training Programme for Workers
- Project 4 Educational Resources
 - 4A Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries
 - 4B Capacity Building of Trainers and Teachers
 - 4C Development of Training Manuals and Materials
- Project 5 Forest Sector Capacity Building Programme
 - 5A Training Programme for the Top-Management of State Forests
 - 5B Training for Managers and Specialists

The projects are coordinated by Finnish and Russian educational and research institutes and private consulting companies. Coordinators were chosen through a tender process in 2005.

The conference “Supporting the Forest Sector Reform in Russia and in the Southeast European Countries by Accessing the Experiences of the New EU Member States” is one of the results of the project 4A “Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries” funded from the NWRDP III programme and coordinated by the Finnish Forest Research Institute.

Project “Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries”

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I. Background of the project

During the last few years Russia has initiated a process aimed at the reform of national forest policy and legislation, which will define the development of the Russian forest sector in the coming decades. The new policy will establish the strategic development objectives for forestry and the forest industry, different forest uses and involvement of the state in the management of forests and their regeneration. Sustainable development in the forest sector will be based on effective forest resource management enabled by pertinent reformed state policies.

Based on the experiences gained during the implementation of the previous phases of the Finnish-Russian cooperation, capacity building has been identified as a basic element of the whole reform. One of the most crucial preconditions for the implementation of the Forest Sector Capacity Building Programme in the Russian forest sector is the creation of appropriate legislative, policy and institutional frameworks for educational reform.

This will be approached firstly by transferring experiences and lessons learnt from other transition economies, particularly from the countries, which have accomplished the first phase of transition through the EU accession. They have gone through the process in which they were obliged to harmonise their policies, legislation and institutional set up with appropriate EU policies and regulations related to the forestry and other sectors. This created the basic preconditions for sustainable forest management, biodiversity conservation and nature protection. Those countries have selected various forest policy instruments to fulfil the commitments arising from EU membership. Some of these forest policy objectives and development instruments would be valid also in Northwest Russia. Thus it is of utmost importance to study the relevant policy instruments and their impacts on regulatory framework and institutional development used in other transition economies, so as to enable the support of the reforms in the Russian state forestry. The main reason for focussing on the countries, which have finished the transition process through EU membership is that those changes in forest policies and institutional set up were discussed and accepted as appropriate solutions by several international forums as well as by the EU authorities. Of particular interest are the Baltic States, which were part of the former Soviet Union and had thereby similar background at the beginning of the transition process as Russia. This is not the situation in the countries of Southeast Europe, because of the different overall environment. In Southeast Europe the transition process is at its beginning or ongoing.

The idea of the project “Analysis of the Forest Sector Reform and Best Practices in the Transition Economy Countries” is to strengthen the human resources and capacities in forest policy and institutional development processes of selected Russian experts currently employed in the state forest sector both at strategic federal and regional levels in Northwest Russia. These selected experts will act in core positions both in respect to forest sector reforms and educational modernisation regarding forest sector development. They will be used as trainers for other projects in the Programme within forest policy, institutional and regulatory framework issues.

2. Main beneficiaries

The main beneficiaries of the project are the government bodies responsible for preparing and recommending new policy and legislative instruments needed for securing sustainable forestry development in Russia. Other beneficiaries will be the selected specialists in the forestry sector, representing both public and private key actors, who are expected to have an instrumental advisory

role in the development of future forest policies in Russia in general and Northwest Russia in particular.

Experts selected to participate in the project implementation will be in senior positions and are therefore expected to express their views and make recommendations both in respect to forestry sector reforms and relevant educational modernisation. They are also expected to be used as trainers for other projects within the NWRDP Programme, e.g. in forest policy, institutional and regulatory issues.

3. Objectives and main results

The **overall objective** of the Forest Sector Capacity Building Programme is to provide high skills and knowledge for the forest sector employees that enable improvements in sustainable forest management and forest sector development in Northwest Russia. Another strategic objective of the Programme is an efficient and competitive further training leading to improved competence and performance of forest sector employees and supportive educational structures.

The **purpose** of the project is the improvement of the present regulatory and development framework in the Russian state forestry to support the educational reform by an appropriate legislative, policy and institutional framework.

The **objective** of the project is to strengthen the capacity of the forestry personnel currently employed in the state forest sector both at strategic federal and regional level in Northwest Russia to create appropriate legislative, policy and institutional frameworks for educational reform.

The main objective will be achieved by fulfilling the **specific objectives**, which are:

- Improvement of understanding of the development strategies in state forestry, including legislative basis and other regulatory and development frameworks as well as relevant forest policies and related instruments in other countries with corresponding problems and conditions;
- Creation of favourable regulatory and policy conditions for implementation of those experiences of other countries that are of particular interest to the Russian context;
- Strengthen capacities of state forest sector managers for transformation of the potentially applicable approaches to the Russian conditions to support forest sector reform with particular attention to further training.

The **main results** of the project will be:

- Country case studies on experience and lessons learnt from the transition period in six selected new EU member countries;
- Recommendations for the implementation of the best practices from the transition period of those countries into the Russian forest sector reform;
- Short- and medium term training action plan for training of all levels of management of the state forest service at ARICEF.

4. Approach and methodology

The project is aiming at the transfer of experiences and lessons learnt from selected transition countries on relevant policy instruments and their impacts on regulatory framework and institutional development in those countries.

This will be achieved by:

- i) Studying the relevant documents to understand the development strategies in state forestry, including legislative basis and other regulatory and development framework as well as relevant forest policies and related instruments in other transition countries with similar problems and conditions.

- ii) Selecting and analysing those experiences of other transition countries which are of particular interest to the Russian context.
- iii) Modifying and transforming the potentially applicable approaches to the Russian conditions and disseminating the results of the exercise where feasible, with particular attention to further training.
- iv) Proposing appropriate changes in policy development, institutional and regulatory framework to support the reform in the Russian state forestry.

Work will be based on an in-depth analysis of recent forest policy strategies and forest sector development plans/programmes with emphasis on the state forestry in the following countries with different models of institutional framework and forest management:

- **Estonia** – country with a common history of forest sector development with Russia during the former Soviet Union period. Forestry is the responsibility of the Ministry of Environment. Forest policy and The Estonian Forestry Development Programme, approved in 1995 and updated in 1997 and 1999, is based on the National Environmental Strategy and National Environmental Action Plan. Regulatory framework is based on the Forest Act approved in 1998 and revised in 2002-2003. Focussing in privatization of forest land. Specific institutional set up for state administration responsible for policy implementation, supervision, forest inventory, forest monitoring and extension services and separate State Forest Management Centre, a profit-making state agency responsible for management of state forests.
- **Latvia** – also a country with a common history with Russia. Since becoming an independent state has a different policy, legal and institutional set up. Policy frame from 2000 and legislative frame are determined mainly by the Law on Forests, the Law on State Forest Service and the Law on Specially Protected Nature Areas. Forestry under the responsibility of the Ministry of Agriculture with a Deputy State Secretary for Forestry. State administration fulfilled by the State Forest Service, responsible for implementing of the state forest policy, supervision over compliance with the regulatory act and effecting support programmes aimed at sustainable forest management, including supervising forest research stations. Latvia is the only transition country to have established state joint-stock company for management of public forests.
- **Lithuania** – the third Baltic country with a common history. However also with different policy, regulatory and institutional framework since independence. The main forest policy document from 2003 also defined its implementation strategy. Forestry included under the remit of the Ministry of Environment as a separate Department. State forest administration as the Forest Control Division included into the State Environmental Protection Inspection. Public forests are managed by the General Directorate of State Forests. Separate state organizations for forest management planning, forest survey service, sanitary forest protection, forest tree and seed breeding and forest seed and plant quality control.
- **Poland** – the largest transition country with a very high percentage of state owned forests and a fragmented private forest sector. Almost 80% of forests are state owned. Those forests are managed by the State Forests National Forest Holding, an organization under the Ministry of Environment. Its organizational structure is quite complicated with several horizontal and vertical levels of management. It also organises educational activities for technical staff, forest workers and for the public in 24 educational centres all over the country.
- **Czech Republic** – country with a long history of forest management on the basis of traditional Middle European knowledge and principles with strong institutional structure. A regulatory framework has been established by a new Forest Act of 1996 and amended in 2002. The main policy document is the National Programme of Sustainable Forest Management. State authority function is the responsibility of the Ministry of Agriculture via the regional inspectorates. Public forests are managed by a state forest enterprise established by the Ministry of Agriculture. Its main function is the supervision of forest management in line with obligatory forest management plans. Silvicultural and harvesting operations are carried out by private companies based on contracts. The Czech Republic has a very long tradition of forestry education and training with several educational institutions for different levels of education.

- **Slovakia** – also a country with a long history of forestry traditions. Forestry is under the Ministry of Agriculture. State authority function is fulfilled by county and regional forest offices. Public forests are managed by a state forest enterprise. Recent discussions on new Forest Act and state forests management – combination of Austrian and Czech model. NFP and long term forest policy are recently discussed. Similarly to Czech Republic there is a long tradition of forestry education and training.

As can be seen from the above brief description of the situation in respective countries, there are six different approaches to the transition process and also different policies, legislative and institutional frameworks for forest management. Those will be studied in the project by the Russian experts to identify the best solutions which could be implemented into its new reform.

The four remaining new EU member countries have not been included into the list of countries suggested to study the outcomes of their transition process. Malta and Cyprus because they have not been passing the transition process from centrally planned economy, as well as because of very low importance of their forest sector and specific Mediterranean conditions. Hungary because of low country forest cover and a specific organizational set up with many small enterprises managing state forests. Slovenia is also a specific case with prevailing private forest ownership with very small holdings (more than 55% of holdings are smaller than 1 ha and only 1% with an area over 20 ha). Countries from Southeast Europe and from Balkans are only at the beginning of the transition process or not yet finished, e.g. there is high uncertainty what will be the final result.

Six Russian experts will be selected to study the situation in the countries described above. Each expert will analyse one of the selected countries in a form of a case study.

Work will be done in the following phases:

1. In-depth analysis of selected transition countries in order to understand their development strategies in state forestry.

Each expert will cover one country in the form of a case study. Analysis will be based on a literature study, short term visits to the respective countries and consultations with the Finnish and other experts.

Short term visits of ministries and other relevant organizations in respective countries for 4-5 days will be organized in the second half of 2006.

2. Formulation of conclusions and recommendations on how to transfer the best practices to the Russian state forest sector.

The experts will draw conclusions and make suggestions as to what extent and how to transfer experiences and results from these countries to federal, regional and district levels in Northwest Russia, particularly within state forestry. Finnish specialists will comment on the conclusions and recommendations and make suggestions for their improvement.

3. Design of short and medium term action plans for ARICEF and the territorial forestry agencies in Northwest Russia.

Based on these assessments and recommendations, short- and medium term training action plans will be formulated.

The advantage of networking and partnership with Forestry Training Centres in other European countries in cooperation with the Joint UNECE/FAO/ILO Expert Network to Implement Sustainable Forest Management will also be taken when drafting the proposals for changes and short- and medium training action plans for ARICEF and other Russian training institutions.

THEME I

Forest policies and their instruments supporting sustainable forest management

Chairman

Timo Karjalainen
Finnish Forest Research Institute METLA



Presentations

New Forest Code and its implications for management of forests in the Russian Federation
Anatoly Petrov, Rector, All-Russian Institute for Continuous Education in Forestry ARICEF, Russia

Development of forest policy and its instruments during the transition period in Latvia
Jānis Birgelis, Director, Department of Forest Policy, Ministry of Agriculture, Republic of Latvia

Forest policy and challenges to the forest sector in Bulgaria
Ivan Paligorov, Dean, Faculty of Business Management, University of Forestry, Sofia, Bulgaria

Serbian forestry sector - Political, legal and organizational reform
Dusan Jovic, Senior Adviser, Directorate of Forests, Ministry of Agriculture, Forestry and Water Management, Republic of Serbia

Special features of national forest policy and forest management reform in Ukraine
Victor Tkach, Director, Ukrainian Research Institute of Forestry and Forest Melioration

Forest policy and its instruments in the Czech Republic - Overview of a study tour by a Russian expert to a new EU member country
Igor Lyzlov, Head of Department, Forest Committee of the Republic of Komi, Russia



New Forest Code and its Implications for Management of Forests in the Russian Federation

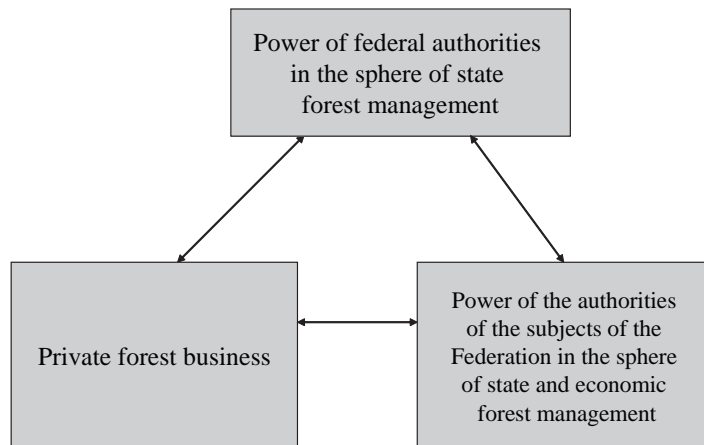
Anatoly Petrov
Rector, All-Russian Institute for Continuous
Education in Forestry, Pushkino, Russia

Slide 1

1. Why does Russia need a new Forest Code?
2. Stages of development and implementation of the new forest legislation.

1. To turn biological forest resources into economic potential for the country;
2. To establish a market-oriented balance between the state power of the Federation and its subjects (regions);
3. To separate government and economic functions in the forest sector;
4. To establish a competitive environment in forest industry and forestry;
5. To create an effective investment climate in the forest sector.

Goals of the new forest legislation of the Russian Federation



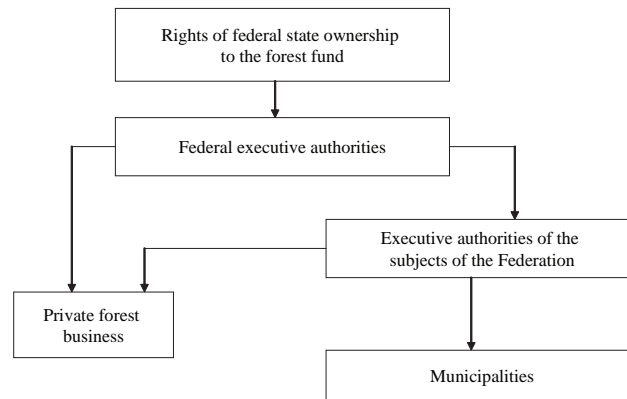
"Triangle" of key issues solved by forest policy and forest legislation

The principle of federalism is established in the Constitution of the Russian Federation, whereas Article 72 attributes the issues of ownership, use and disposal of land, riches from the Earth, water and other natural resources to be under the joint management of the Russian Federation and subjects of the Russian Federation.

Management levels and functions		Basics of forest legislation, 1993	Forest Code 1997	Federal Act no. 199, 2004, 2005-2006	Forest Code, 2006-2007
Federation	Constitutive	+	+	+	+
	Property management	0	0	+	0
	Control	+	+	+	+
Subject of the Federation	Constitutive	0	+	0	+
	Property management	0	+	0	+
	Control	0	0	0	0
Administrative district	Constitutive	0	0	0	0
	Property management	+	0 (+)	0	0
	Control	0	0	0	0

+ - functions
0 - no functions

Development of federative relations in the system of forest fund management



Mechanism of delegating rights of federal ownership

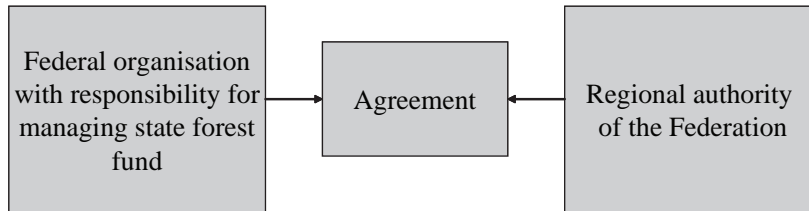
Article 81. Power of the authorities of the Russian Federation in the area of forest relations

Article 82. Power of the authorities of the subjects of the Federation in the area of forest relations

Article 83. Transfer of certain powers of the Russian Federation in the area of forest relations to state authorities of the subjects of the RF

Article 84. Powers of local authorities in the area of forest relations

Forest Code (2006) about distribution of federal ownership rights to forest



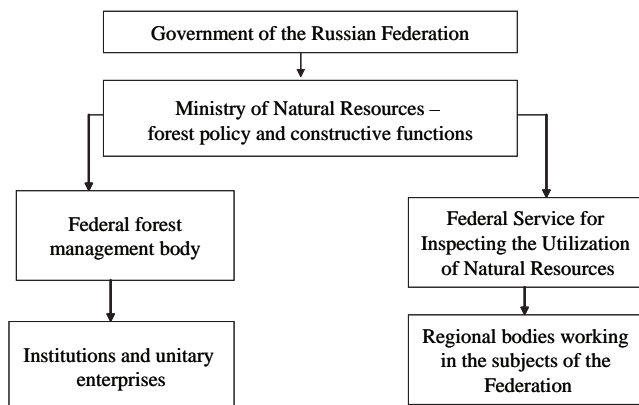
Implementation of the principle of federalism in forest relations via delegating rights of federal ownership to the forest fund to the subjects of the Federation

Delegated power (rights)	Responsibilities delegated according to the agreement
1. Provision of forest fund areas for use under the terms of long and short-term leasing according to relevant tender procedures and on the basis of agreements. 2. Organization of forestry operations on the basis of long-term lease agreements. 3. Organization of forestry operations in the territory of the forest fund not provided for long-term leasing carried out by state commercial organizations owned by the subjects of the Federation (leskhoz). 4. Organization of the work – done by leasers and state-owned commercial entities – of fire safety and protection against infestations.	1. Earning pre-agreed amount of forest income in the form of fees from the use of forest fund. 2. Transfer of pre-agreed amount of forest income to the federal budget. 3. Forestry operations in compliance with fixed tasks, including those derived from Federal orders. 4. Annual reporting to the Federal Forest Agency on forest income earned from the use of forest resources. 5. Annual reporting to the Federal Forest Agency on the volumes of forestry operations. 6. Periodic reporting to the Federal Forest Agency on the condition of the forest fund managed on the basis of the delegated power.

Rights and duties of the subjects of the Federation in realizing the power delegated for forest fund management

Financial mechanism for transferring
(delegating) power, i.e. subsidies from the
Federal budget.

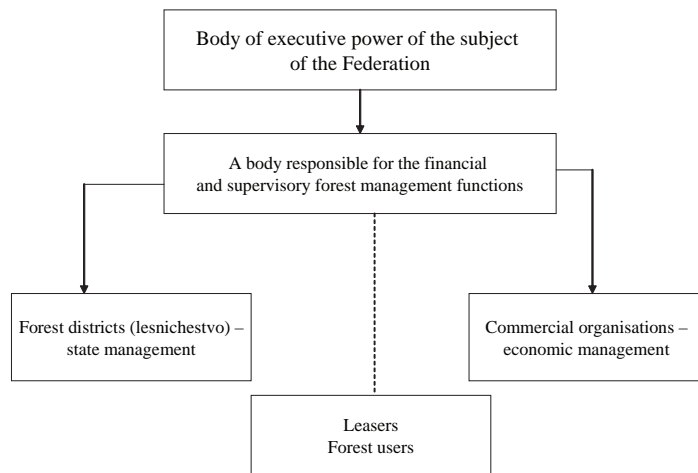
The subsidies are to be aligned with the forest
plan of a subject of the Federation.



*Federal authorities in the system of forest
management*

1. Forest monitoring
2. Forest planning and inventory
3. Forest protection
4. Seed production
5. Scientific research
6. Secondary vocational forest education
7. Further education in forestry
8. Subsidies from the Federal budget
9. International cooperation

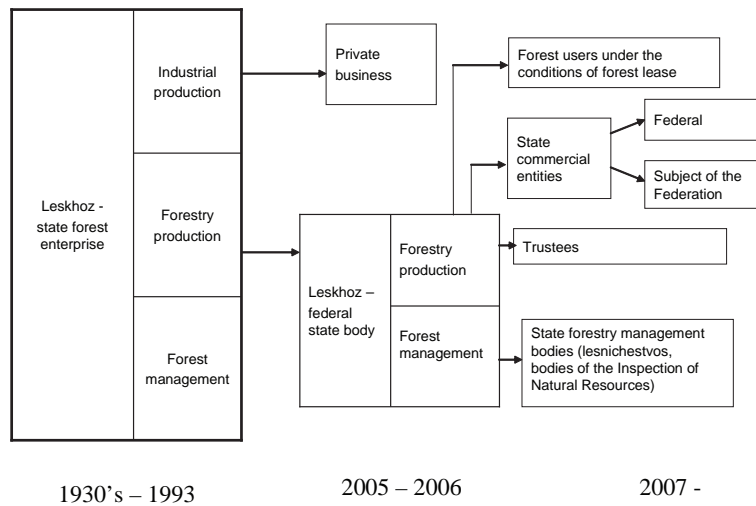
Powers of the Federal forestry management body



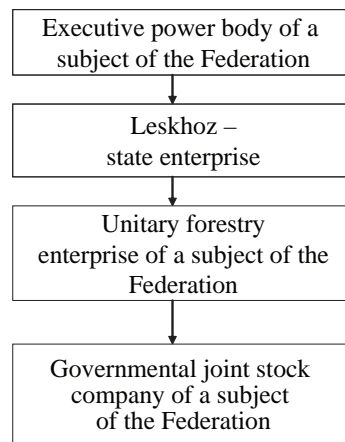
Authorities of the subjects of the Federation in the system of forest management

1. Forest plan of a subject of the Federation
2. Forest management regulation (*reglament*)
3. Forest development plan
4. State or municipal review of the forest development plan
5. State forest inventory
6. State Forest Ledger

Instruments of State forest management



Stages of reforming of leskhozes



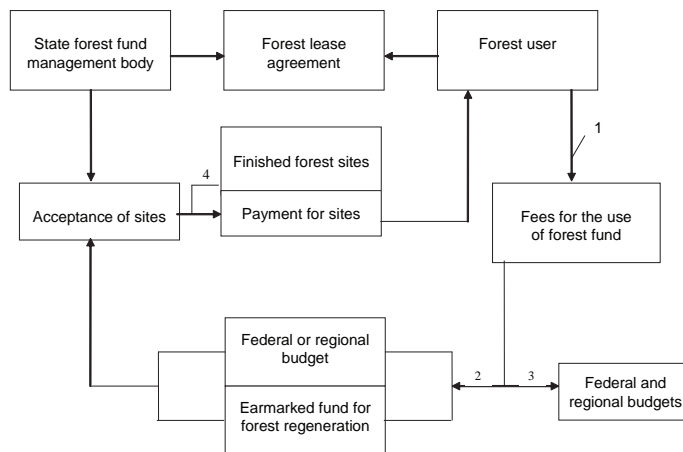
Ways of establishing and developing commercial entities of subjects of the Federation

Approaches to cover costs of regeneration, protection and conservation of forests under lease agreements and economic activities

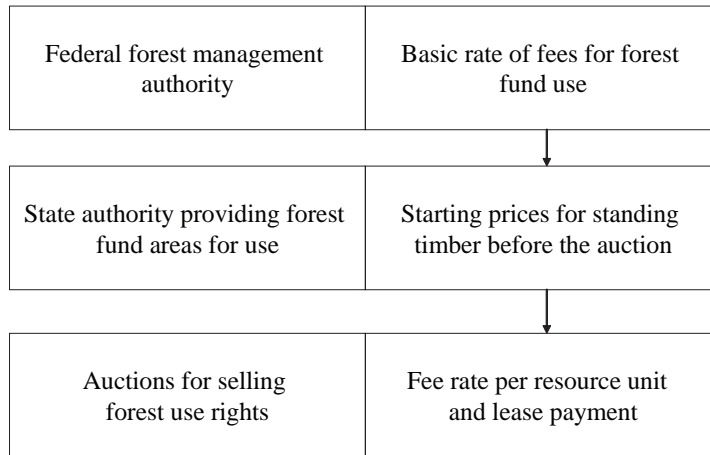
1. From the fees for using the forest fund via budgetary system or earmarked funds. The work is performed by users, evaluated by contractual prices, accepted by lessor and are paid for.
2. From the prime cost or profit of forest users.

Why the costs for forestry operations cannot be allocated to the prime cost or profit of forest users?

1. Allocation of costs for forestry work to the prime cost in parallel to fees means double taxation of income.
2. Violation of the principle of equal access of companies to forest resources under forest lease with silvicultural operations (when costs are included in the prime cost) and without silvicultural operations (when cost are not included).
3. Inability to execute effective control over the results of silvicultural operations separately from the control over financial flows.



Economic organisation of silvicultural operations under the conditions of long-term lease



Formation of payments for the use of forest fund in the environment of decentralized forest management



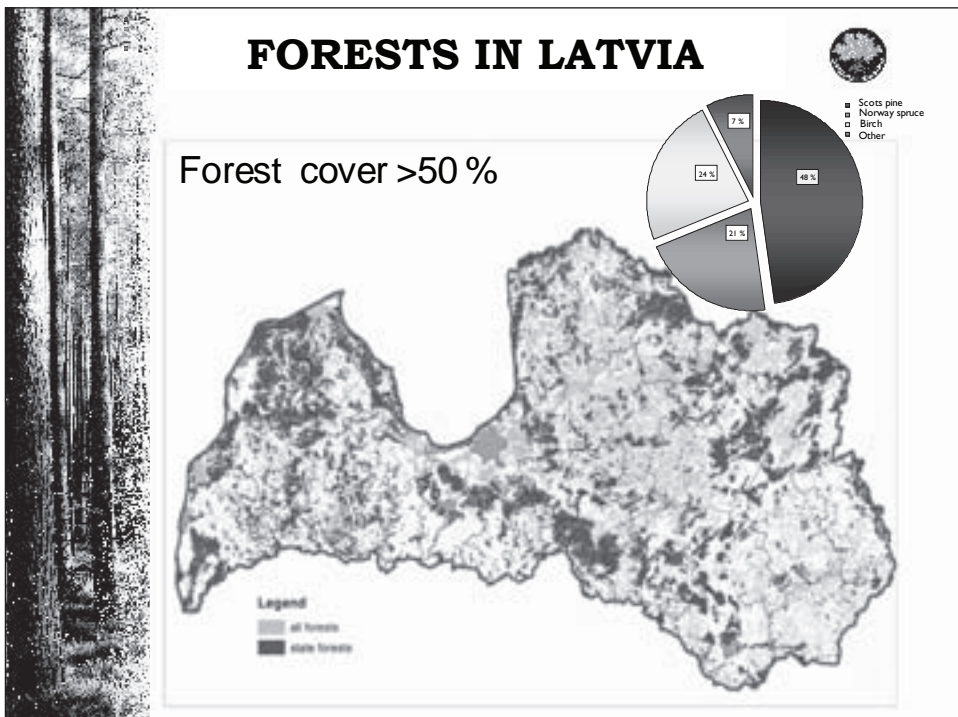
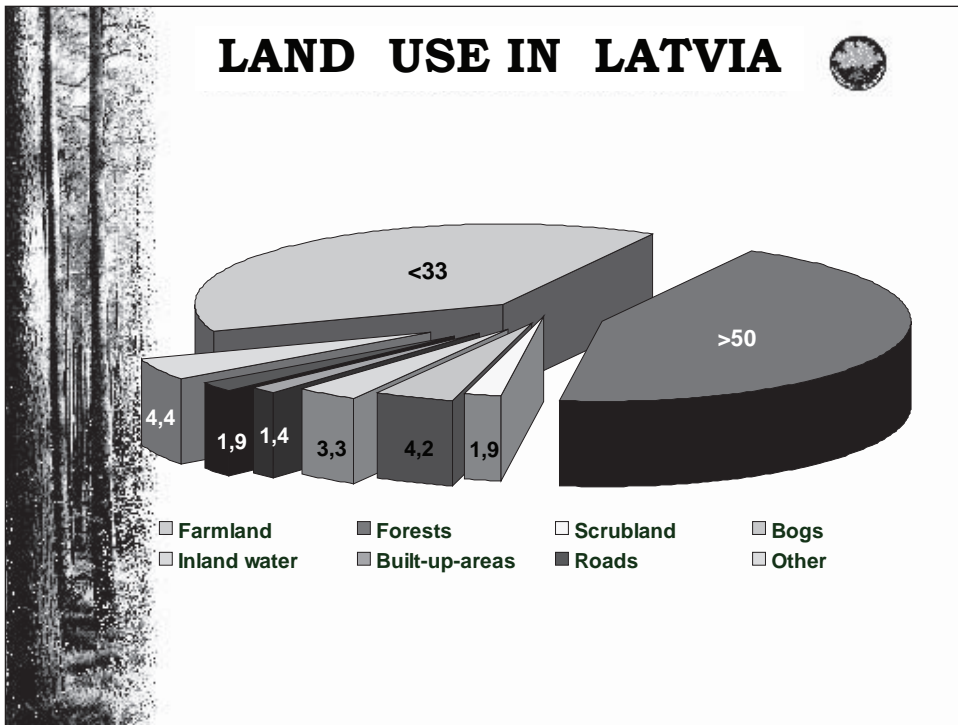
Development of Forest Policy and Its Instruments during the Transition Period in Latvia

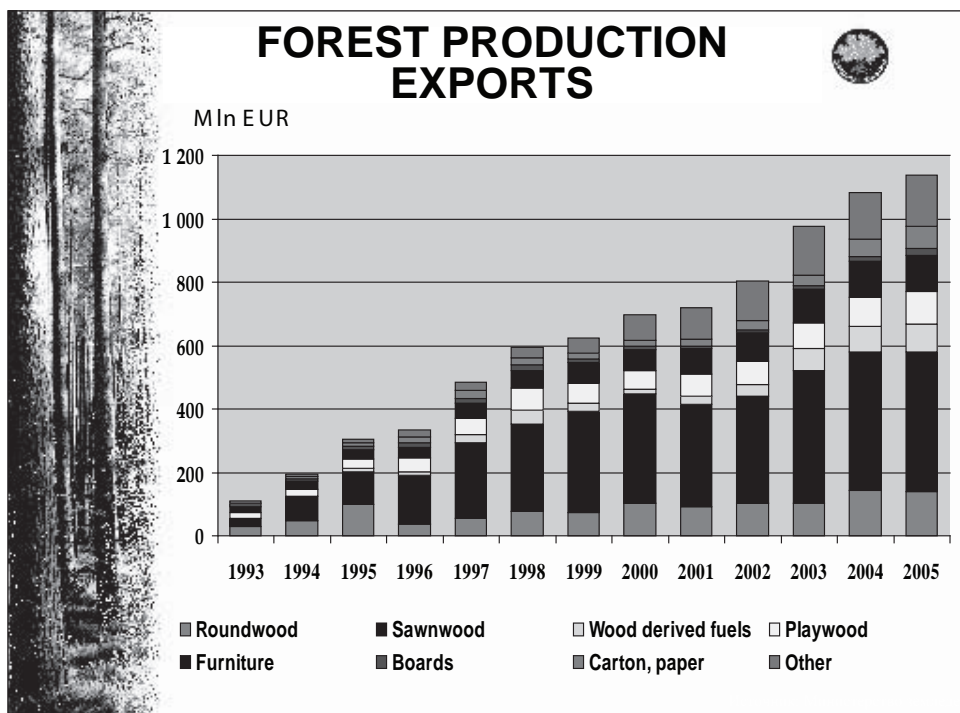
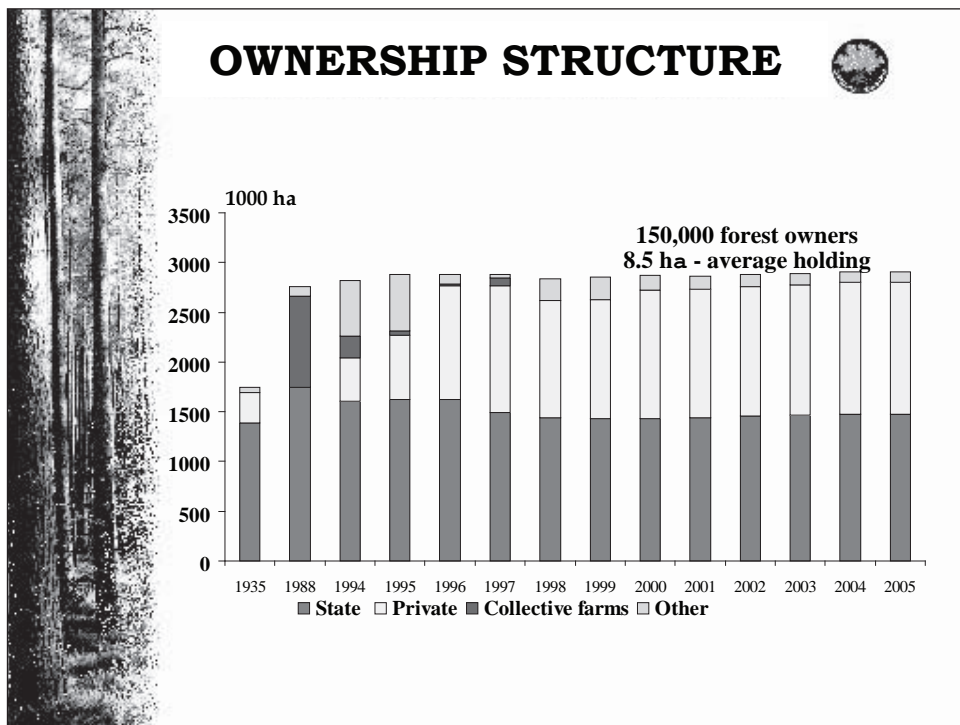
Jānis Birgelis
Director
Department of Forest Policy
Ministry of Agriculture of the Republic of Latvia

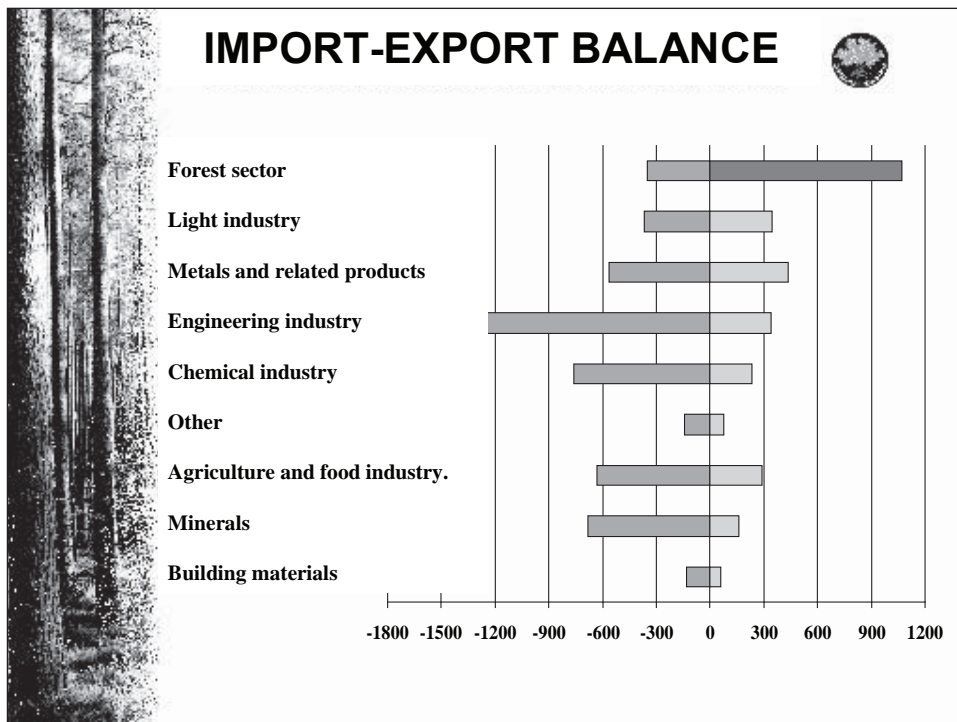
CONTENT



- **brief introduction**
 - forest resources
 - forest sector
- **transition period**
 - land reform
 - privatization
- **milestones of forest sector development**
 - Forest Policy
 - institutional reform
 - National forest and related sectors' programme

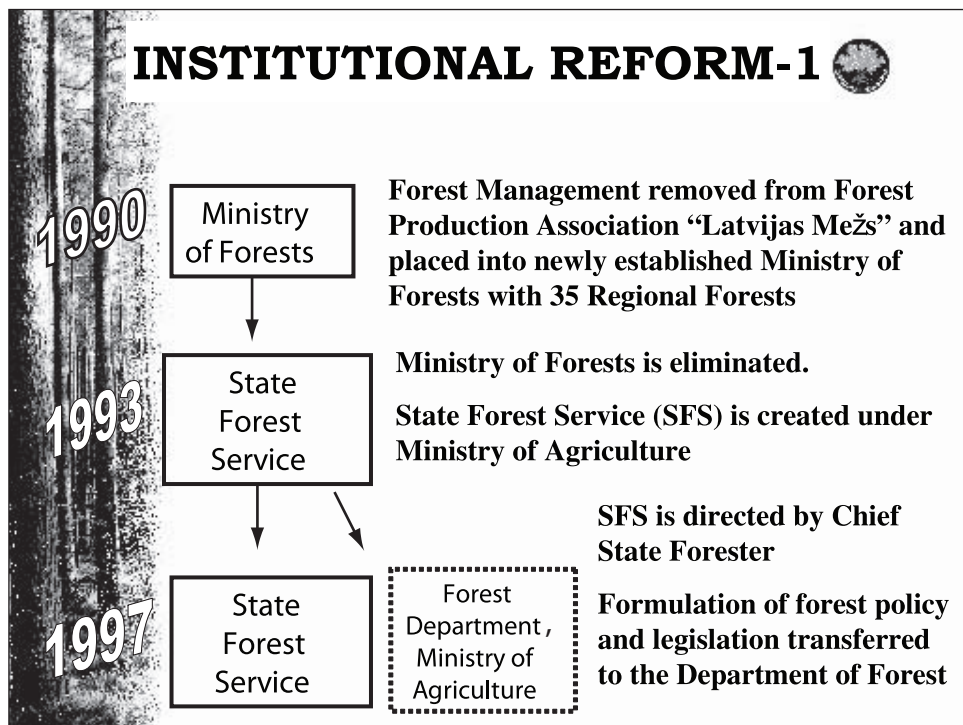




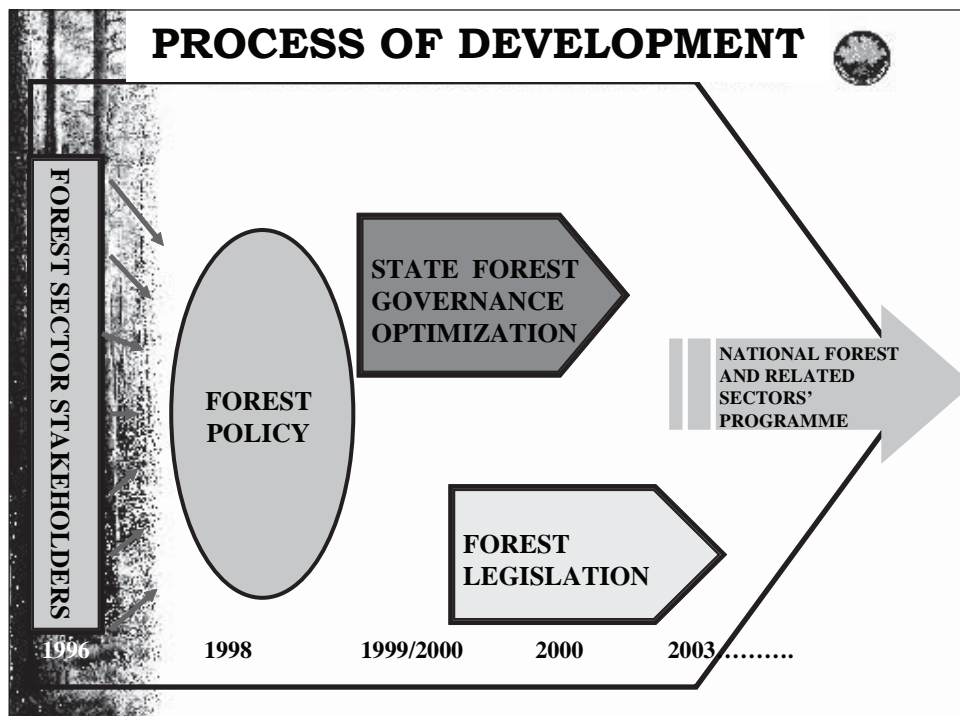


- ## TRANSITION PERIOD
- 1990 - 1996
- understanding market economy
 - land reform
 - privatization of state owned forest industry companies
 - favourable conditions for export of forest production
 - development of private forestry
 - inefficient management of state forests
 - fixed prices
 - export custom tax (1991 – 1998)
 - stakeholders formation

INSTITUTIONAL REFORM-1



PROCESS OF DEVELOPMENT



FOREST POLICY FORMULATION

1996 - 1998

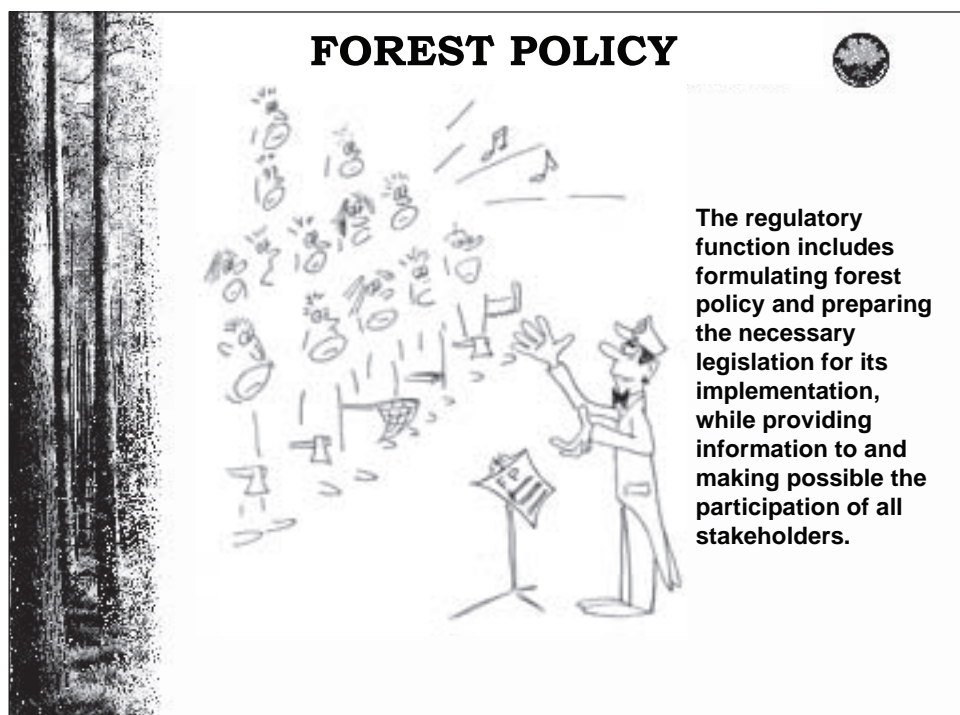
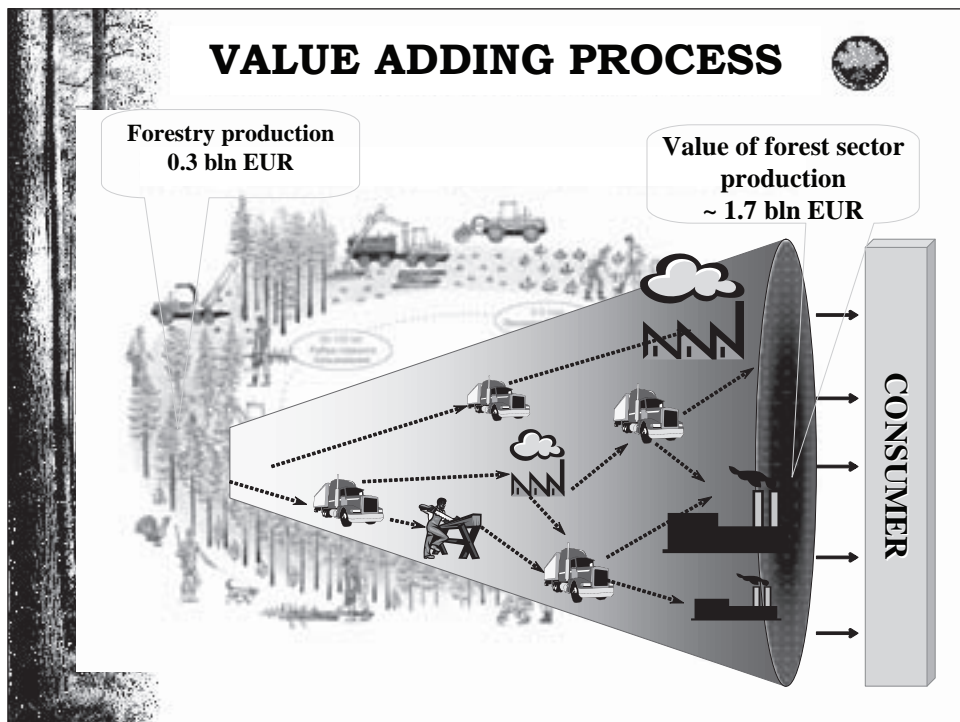
Why ?

- to agree on general development principles for the Latvian forest sector
- to create a favourable environment for economic development
- to preserve the ecological values of Latvia's forests
- to ensure the social functions of forests
- to start defining a strategy for achieving these goals
- to optimize legislation

FOREST MANAGEMENT CYCLE



In Latvia 50 – 100 years



FOREST POLICY



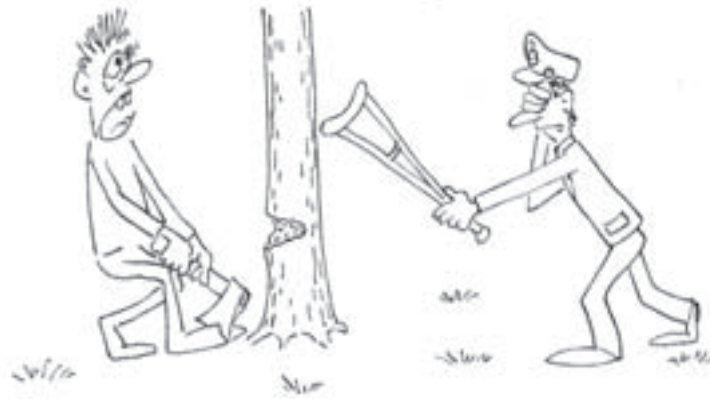
The supervision function includes the creation of an institutional system that ensures implementation and enforcement of legislation in all forests, regardless of ownership type.

FOREST POLICY



The ownership function means state forest management that ensures fulfillment of the socially accepted ecological and social functions characteristic of state forests, the preservation and increase state forest value and income to the forest owner- the state.

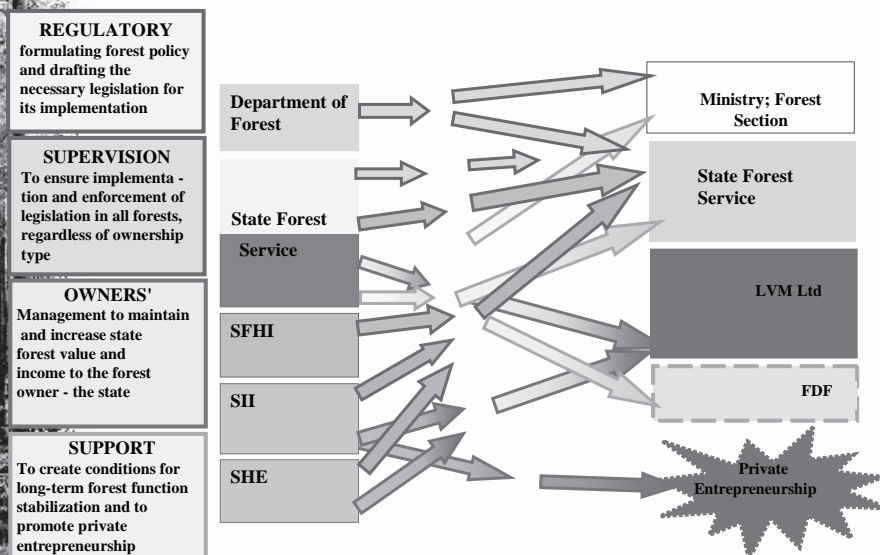
FOREST POLICY

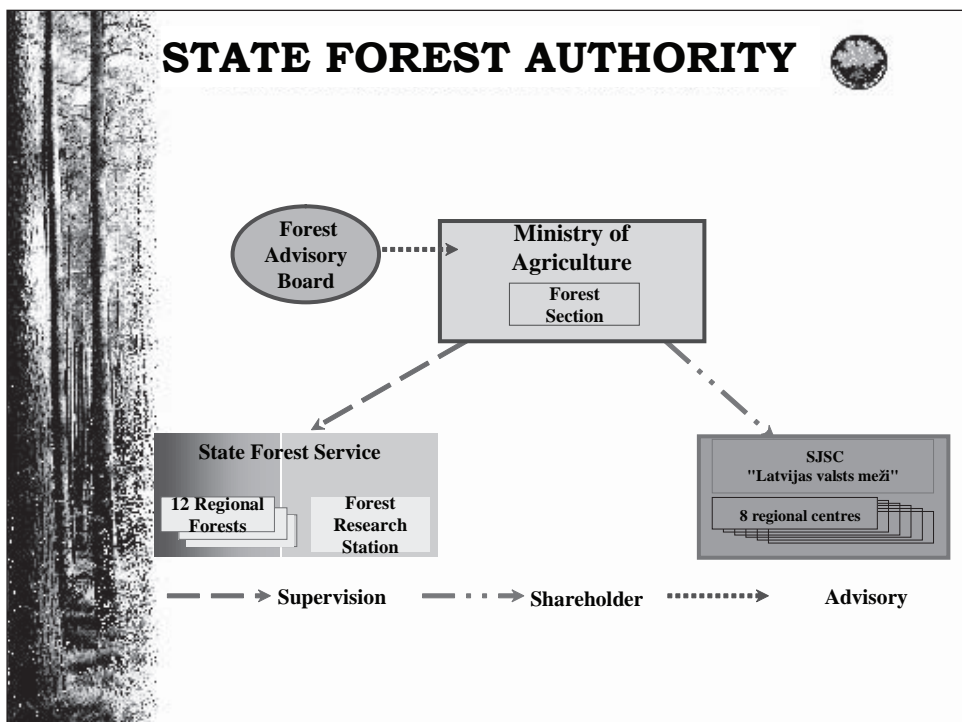


The support function includes activities carried out by state institutions and/or with state funding to create conditions for long-term forest function stabilization and to promote private entrepreneurship.

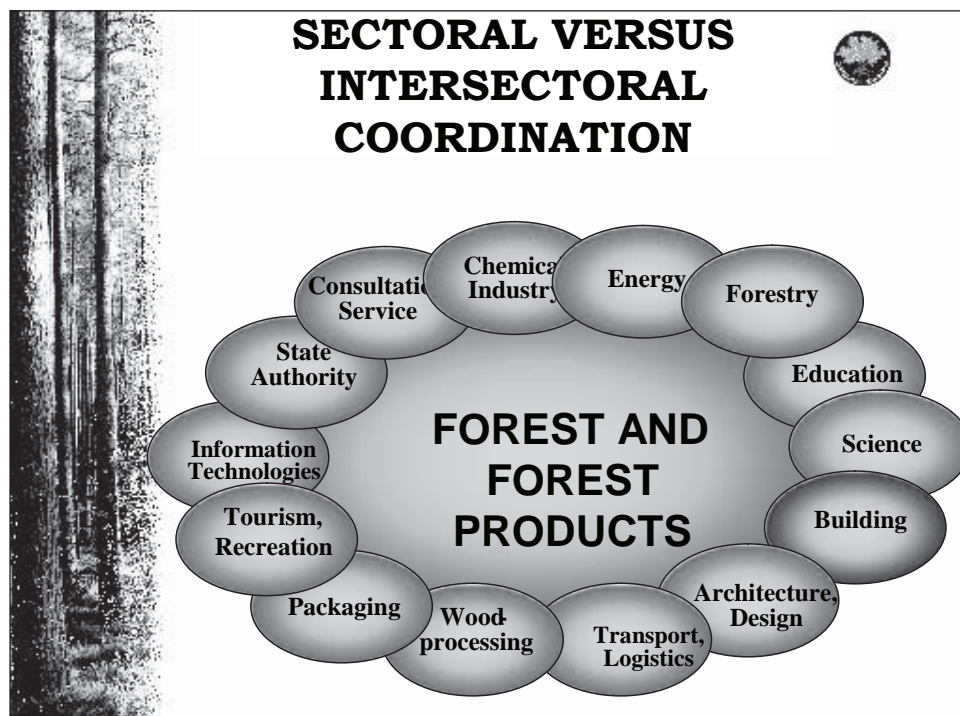
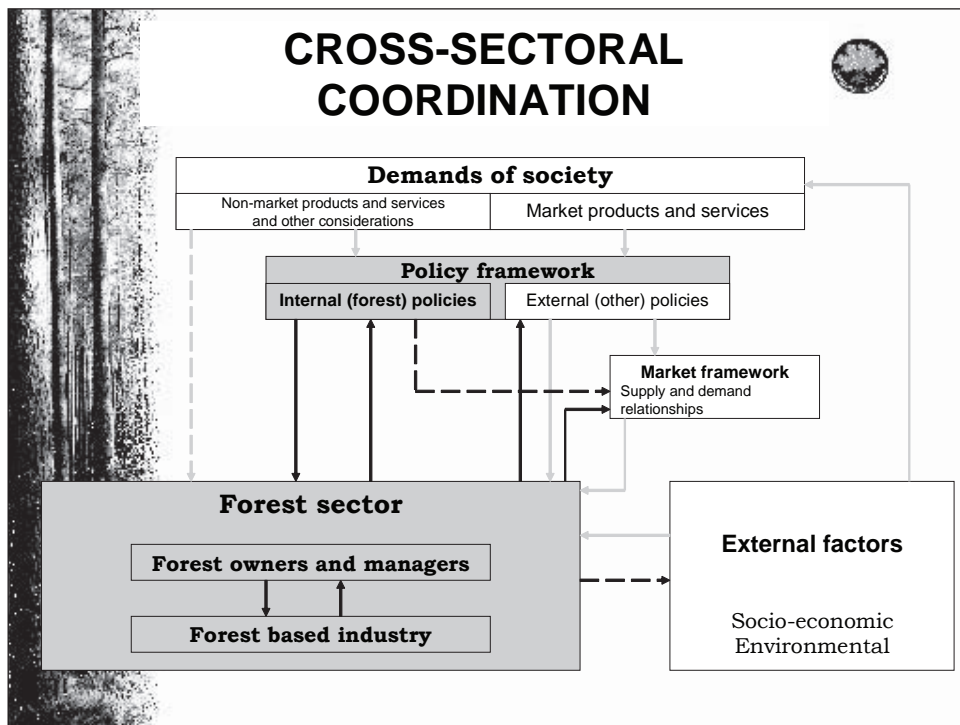
INSTITUTIONAL REFORM-2

1999





- ## FURTHER DEVELOPMENT
- 2003....
- **formulation of National forest and related sectors' programme** (*process started just after institutional reform*)
 - **understanding complexity of the issues**
 - **first stage completed**
 - **long term development goals formulated and approved by Government (in 2006)**





LONG TERM DEVELOPMENT OBJECTIVES



- **forest and forest land is sustainably managed**
- **forest based industries are competitive and meet consumers' needs**
- **knowledge and skills of human resources ensure reaching long-term objectives**



THANK YOU!



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Forest Policy and Challenges to the Forest Sector in Bulgaria

Assoc. Prof., PhD Ivan Paligorov
Dean of the Faculty of Business Management
University of Forestry, Sofia, Bulgaria

1

Bulgarian forests – a short review

Bulgaria

Area: 111 000 km²

Population: 8 million.



2

Bulgarian forests – a short review

Forest Resource Potential

- In 2005 total area of the forests amounts to 4.08 million ha - 36% of the country. With its forested areas of 31% Bulgaria ranks 19th in Europe.
- The distribution by tree species:
conifers – 31%
deciduous - 69%.

3

Bulgarian forests – a short review

- The estimated total forest stock - 598 million m³ standing timber – 31% coniferous and 69% deciduous.
- The estimated total average increment amounts to 14.12 million m³/year.
- The average yield – about 4.6 m³/ha/year.
- The average age - 49 years.
- More than 85% of water flow or 3.6 bill. m³ of fresh water.

4

Changes in the forestry in the period 1997-2005

- The adoption at the end of 1997 of two basic acts – the **Forest and Forestland Ownership Restitution Act** (25 Nov 1997) and the **Forest Act** (29 Dec 1997) marked the beginning of the structural reform in the forestry sector.
- The related legal framework of 7 regulations, 11 ordinances and 6 instructions were prepared in the period 1998-2000.

5

Changes in the forestry in the period 1997-2005

- In the end of 2006 the restitution of an area amounting to 24% of the forests was returned to private individuals, legal entities and municipalities.
- We have more than 840 000 (in 1939 – 456 000) private forest owners. The average area – 1.5 ha.
- More than 30% of owners live in the big cities.

6

Changes in the forestry in the period 1997-2005

- In 2000 the business activities in state forests from the forest ranges was allocated to 63 shareholder companies with 100% state capital, subsequently the number increased to 82, and after that the majority of them started privatization procedures.

7

Changes in the forestry in the period 1997-2005

- In 2005 there were over 2600 private SMEs (companies) and sole traders (about 29 000) engaged in the business activities in state forests.
- More than 1500 are the private SMEs (companies) in wood-processing and furniture industry (about 15 000).
- The lives of more than 1 mill. people depends on forest products, goods and services.

8

The main challenges to forest sector in Bulgaria

- **Sustainable close to nature forest management in a context of EU membership.**

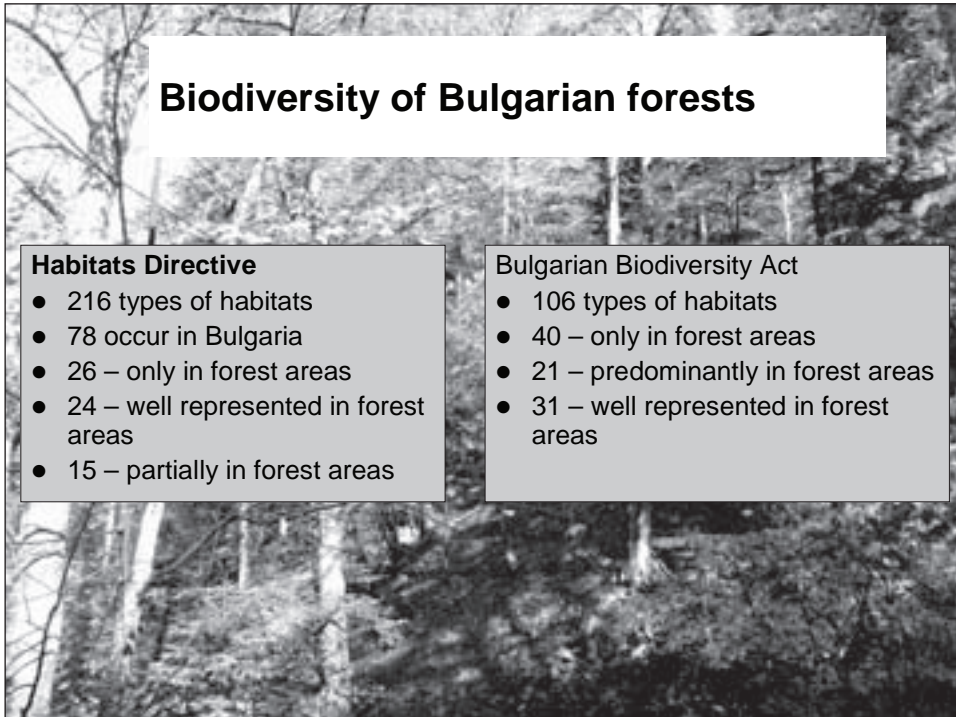
1. To protect forests and biodiversity.
2. To meet the people`s needs.

9

Biodiversity of Bulgarian forests

Forestry areas of Bulgaria contain:

- **More than 80 % of protected flora species;**
- **More than 60 % of threatened fauna species;**
- **More than 60% of the habitats with high priority for conservation;**
- **Eight of the twelve landscape complexes, defined in the National Biodiversity conservation Strategy as unique and representative for Bulgaria`s biodiversity;**
- **Populations of 43 globally threatened species.**



Biodiversity of Bulgarian forests

<p>Habitats Directive</p> <ul style="list-style-type: none"> ● 216 types of habitats ● 78 occur in Bulgaria ● 26 – only in forest areas ● 24 – well represented in forest areas ● 15 – partially in forest areas 	<p>Bulgarian Biodiversity Act</p> <ul style="list-style-type: none"> ● 106 types of habitats ● 40 – only in forest areas ● 21 – predominantly in forest areas ● 31 – well represented in forest areas
--	--

Restrictive factors

- **Diversified use of more and more forestry areas;**
- **Increasing use of more forest products;**
- **Fragmentation of forest ecosystems;**
- **Occurrence of permanent barriers for migrating animals;**
- **Homogenization of forest stands in terms of species composition and age;**
- **Change of species composition in forests at a national level;**
- **Significant changes of bio- and landscape diversity due to forest fires;**
- **Increase influence of climate changes.**

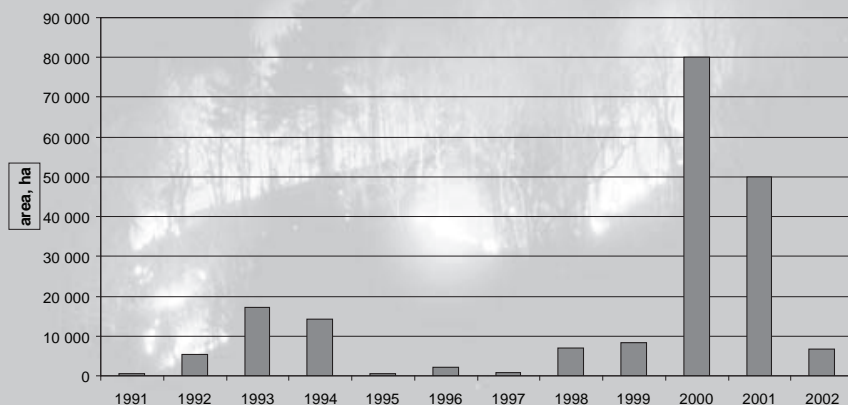
All these factors lead to permanent and irreversible loss of biodiversity in Bulgarian forests gene, species and ecosystem level.

Significant changes of bio - and landscape diversity due to forest fires.

- Forestry had to meet the challenge of regeneration as a result of the consequences of the intensive forest fires in the period 1999-2001.

13

Forest fire area:



To meet the peoples needs?

- To investigate the resource capacity and needs for timber consumption, desires and expectations about all functions and services.
- To involve the civil society in solving forest related issues at local level – multifunctional forest planning.
- To train and consult the private forest owners about sustainable forest management.

15

The main strategy management vision

“The Bulgarian forest is a national asset. The resources of the forest ecosystems retain their ecological, social and economic functions for improving the quality of life of people. Forests are professionally managed in a stable forest sector with broad public support and mutual respect and integration of the interests of all stakeholders.”

16

The main goals of the NFPS are:

- 1. Sustainable development of an economically viable forest sector through multifunctional forest management in market economy conditions.**
- 2. To comply the goals and the means for the sustainable development of the forest sector with international criteria.**
- 3. To provide national and international financial resources and to support the development of the sector.**

17

What is the main goal for the future?

***To meet the people`s needs...
...with the resources capacity in a
changeable environment!***

***To harmonize the interests of each
one of us in a small area!***

18

To put into practice the multifunctional forest planning

- Capacity building of forest administration staff at national/regional level and of forestry stakeholders in participatory planning mechanisms;
- Facilitate and assist the Regional Forestry Boards in the development of multifunctional forestry plans in 6 regions, using Geographical Information System (GIS);
- Develop criteria for monitoring the plan implementation;
- Provide for exchange of experiences and lessons learned at a national and local level.

19

Multifunctional Planning Process

- Supports forest administration in the introduction of new approaches
- Introduces best international practices in Bulgaria
- Provides a platform for all interested parties to participate in the planning process
- Provides consultancy to local initiatives related to MFP
- Analyses and disseminates experience



20

Multifunctional Planning Process



21

Multifunctional Forest Planning - Lessons Learnt in Bulgaria

- Transparent process with the participation of all stakeholders
- Achievement of consensus in decision making
- Decisions must be: clear and achievable, accessible for the broad public
- Involvement of all stakeholders in the development of monitoring criteria on the implementation of the plan
- Coordination with other plans and programs
- Necessity of arranging the legal status of the process

22

Multifunctional Forest Planning - Trainings

- **Objectives:**
 - To support NFB structures through **capacity building** of their employees
 - **To introduce MFP** for all stakeholders involved in the process at a national, regional and local level
 - To support PhD students to link their scientific results with managerial decisions in *Multifunctional Forest Planning* through **Advocacy Training**
 - To improve **forest workers' implementation** in order to contribute to sustainable forest management
- **Target Groups**
 - State Forest Administration
 - Non-state Forest Stakeholders involved in MFP process
 - Forest Workers and instructors
 - PhD Students

23

Multifunctional Forest Planning - Trainings

- **Scope**
 - Multifunctional Forest Planning
 - Soft Skills Development
 - Vocational Training of Forest Workers and Instructors
 - Vocational Training of PhD students
 - Advocacy Training of PhD students
- **Results**
 - Increased capacity of NFB staff for implementing reforms in the forestry sector
 - Involvement of civil society in MFP process
 - Increased number of certified forest workers to reduce the number of labor accidents and adverse impacts on forests
 - Better linkage between PhD thesis and real practice and policy change

24

Forest policy and challenges to the forest sector in Bulgaria



25

Forest policy and challenges to the forest sector in Bulgaria

To harmonize the interests of each one of us in a small area!

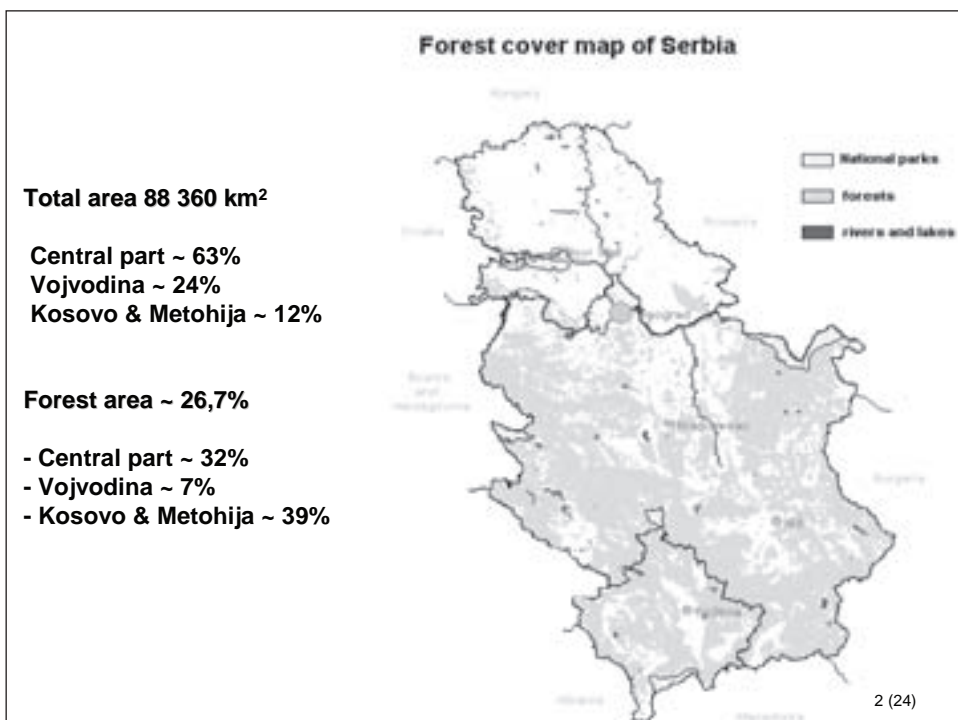
Thank you for your attention!

26



Serbian Forestry Sector – Political, Legal and Organisational Reform

Dusan Jovic
Senior Adviser
Directorate of Forests
Ministry of Agriculture, Forestry and Water
Management of the Republic of Serbia



Basic facts and figures

TOTAL AREA UNDER FOREST (~ 65% of optimal)	2 412 940.00 ha 26.7%
TOTAL WOOD VOLUME	235 631 600 m³
AVERAGE WOOD VOLUME (~ 50% of optimal)	110.6 m³/ha
TOTAL ANNUAL INCREMENT OF WOOD VOLUME	6.18 mil. m³
AVERAGE ANNUAL INCREMENT OF WOOD VOLUME	2.67 m³/ha

3 (24)

Real situation...

... in forests

- **insufficient forest area and forest density,**
- **unfavourable forest structure (from aspect of silviculture form and tree species)**
- **unfavourable stand conditions (level of conservation, vitality and tending)**
- **insufficient production fund,**
- **unsatisfactory forest health state,**
- **excessive cutting (high percentage of coppice forests)**

4 (24)

Some global changes in forestry sector

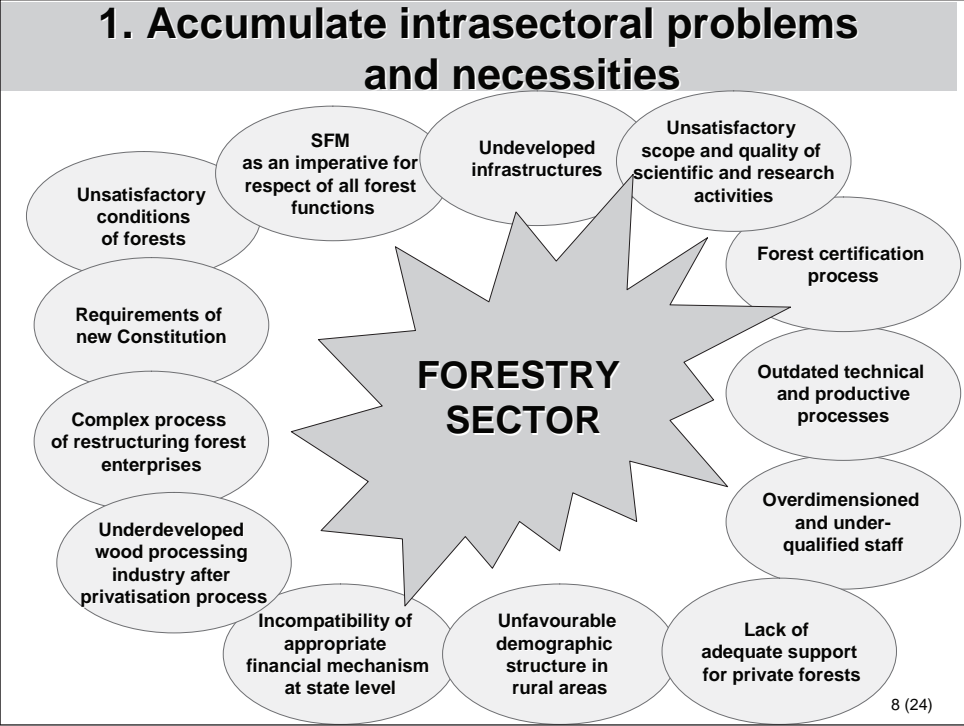
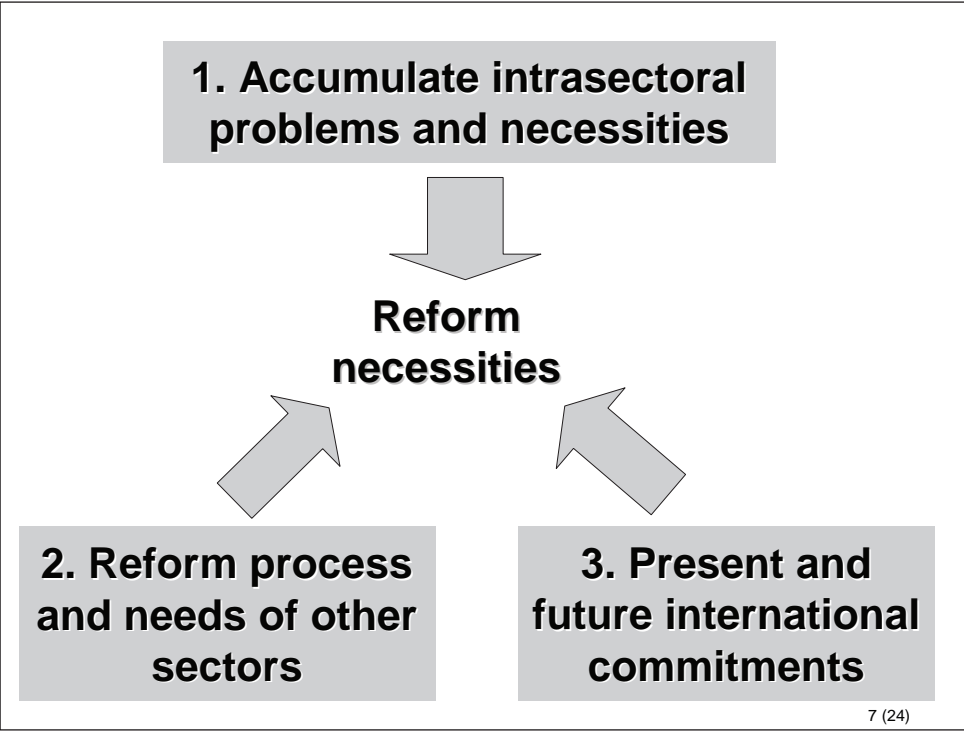
- Establishing balance between large demands on forests and ecosystem conservation needs;
- Integration of all interested parties (local communities, NGOs, private sector) in decision making and governance process;
- Adopting new balance between government institutions and private sector, and other institutions at central and local level;
- Active participation in solution of inter-sectoral issues, especially those related on land use, poverty reduction, food production, energy needs, environment etc.

5 (24)

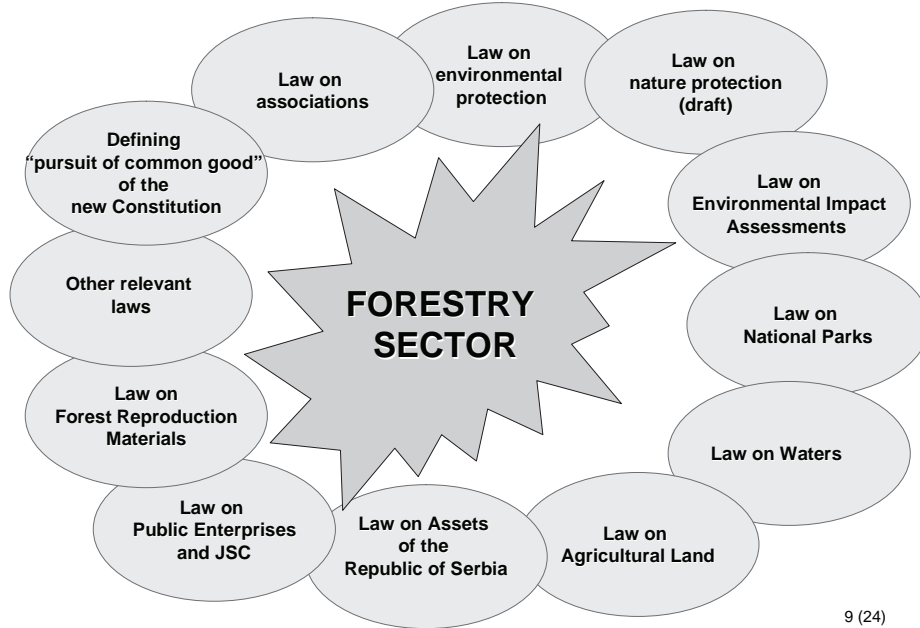
Reform principles

- **introduction of inter-sectoral planning;**
- **Increasing awareness and resources mobilisation;**
- **effective increase of public and private activities for sustainable development in forestry;**
- **partnership initiatives at local, national and international level;**
- **mobilisation and organising all national and international resources;**
- **planning and conducting of activities;**
- **sustainable development of forests;**
- **national sovereignty and state governance;**
- **partnership;**
- **participation;**
- **comprehensive and cross-sectoral approach;**
- **long-term process and periodicity.**

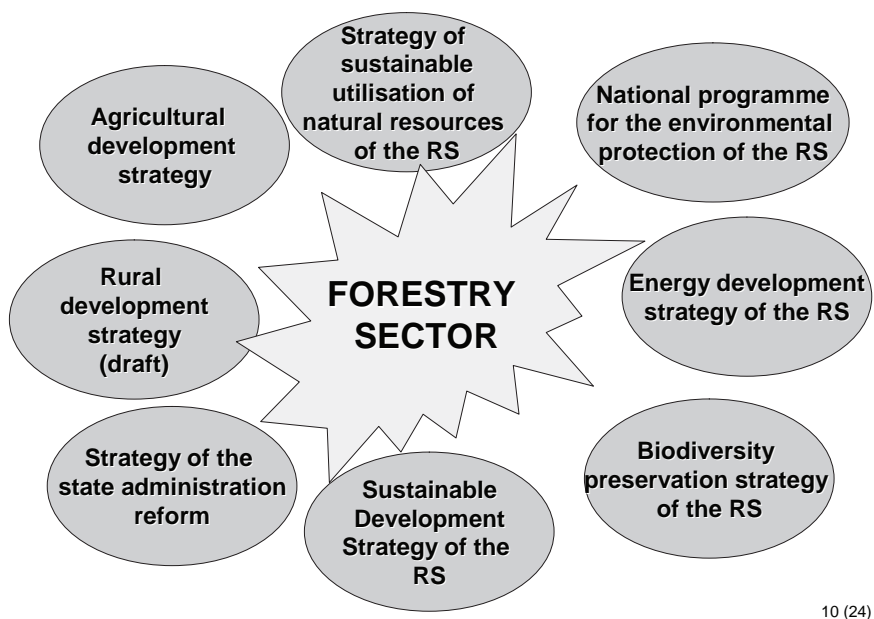
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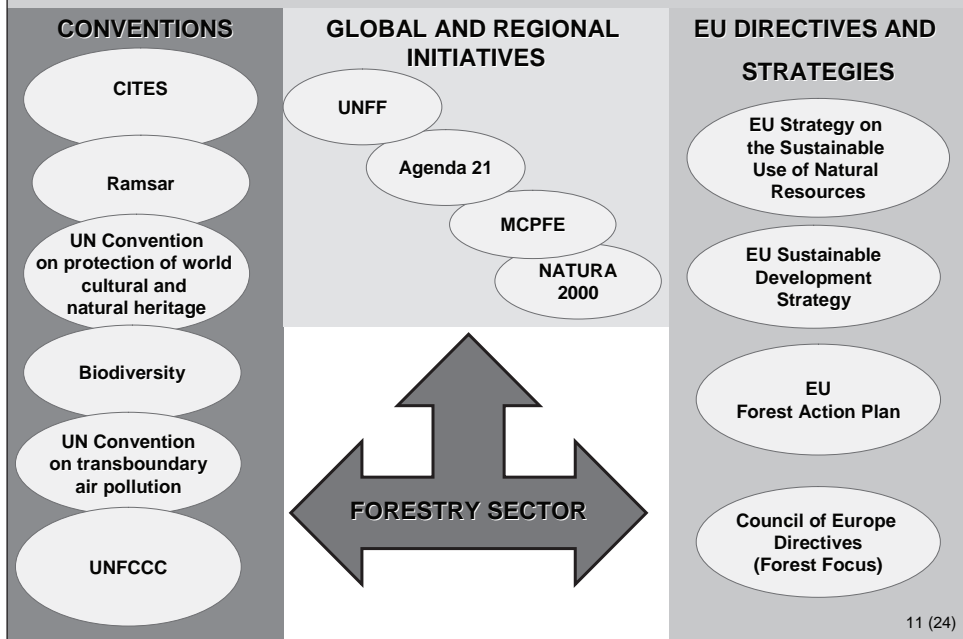
2. Reform processes and necessities of other sectors



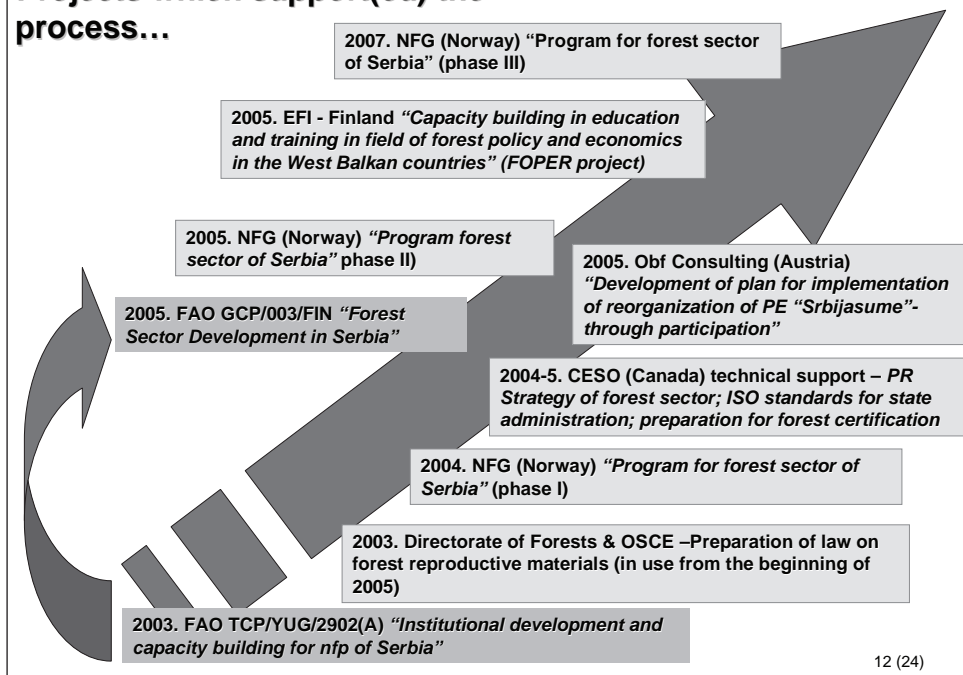
2a. Reform processes and necessities of other sectors



3. INTERNATIONAL COMMITMENTS



Projects which support(ed) the process...

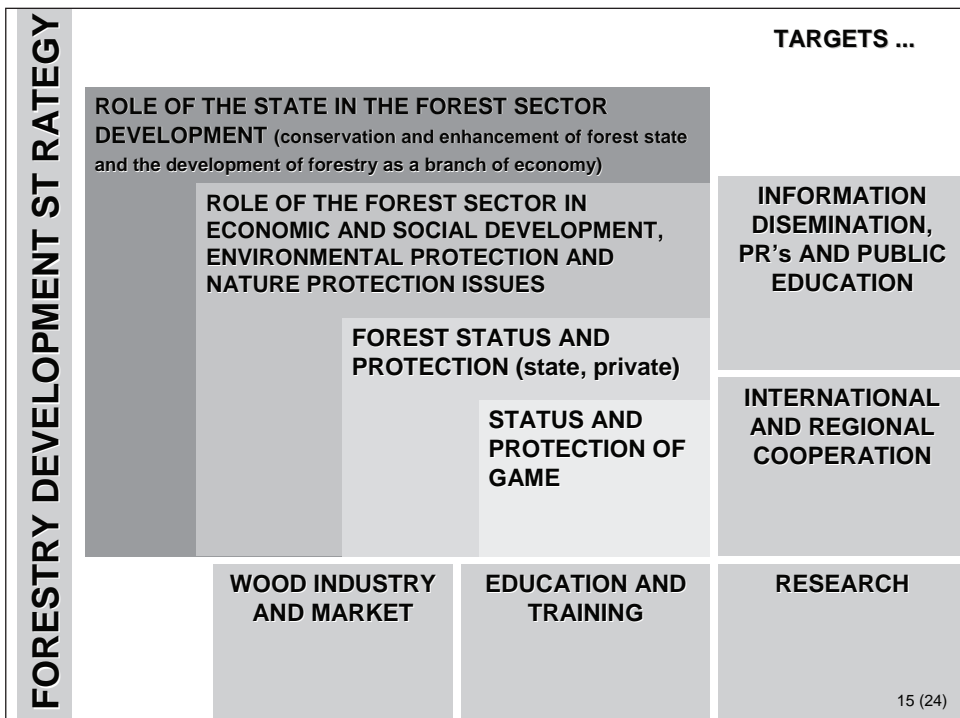


Applied participative approach in strategy and legislative development process

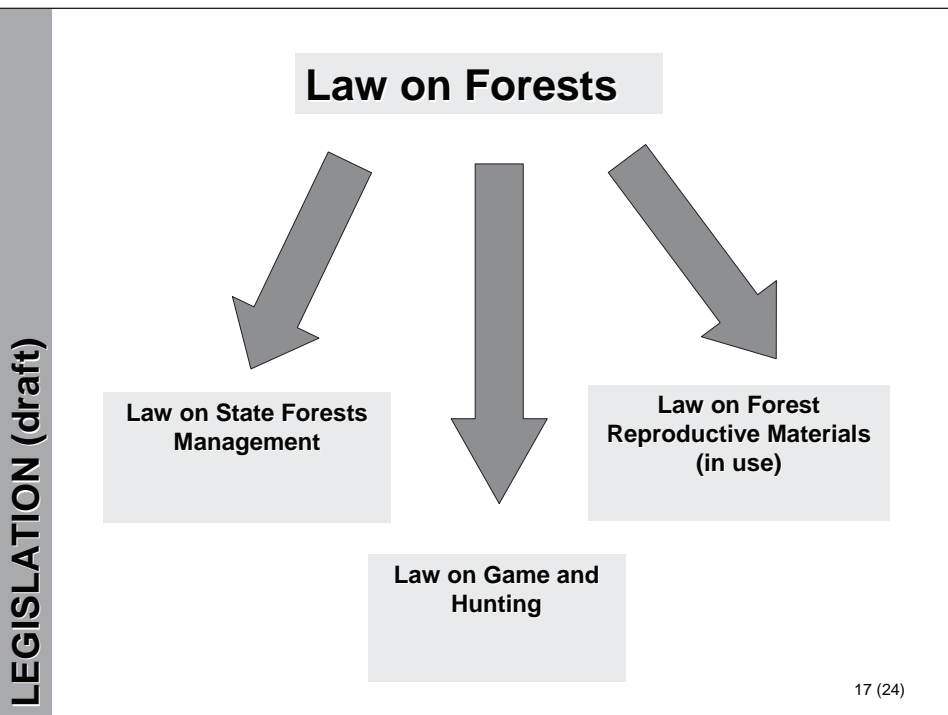


13 (24)

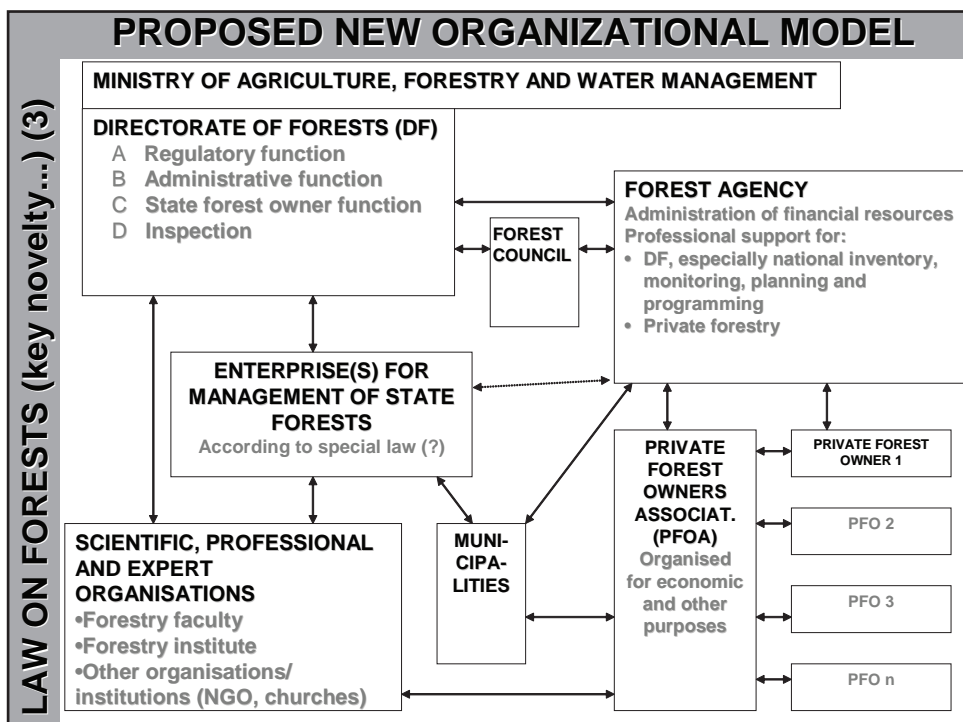
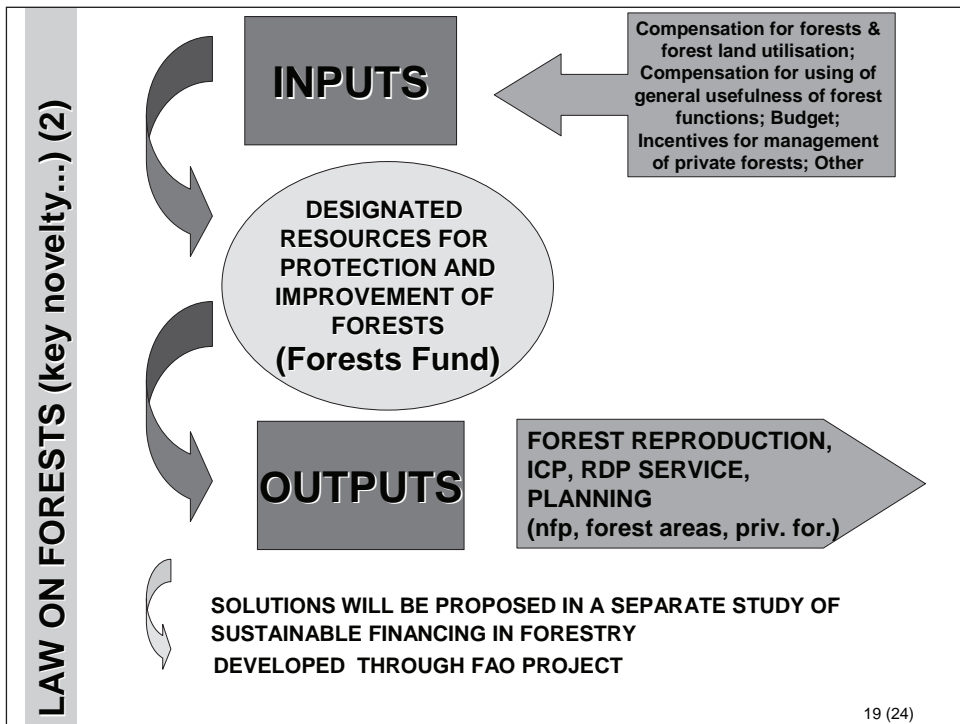
ACHIEVEMENTS, UNTIL NOW ...

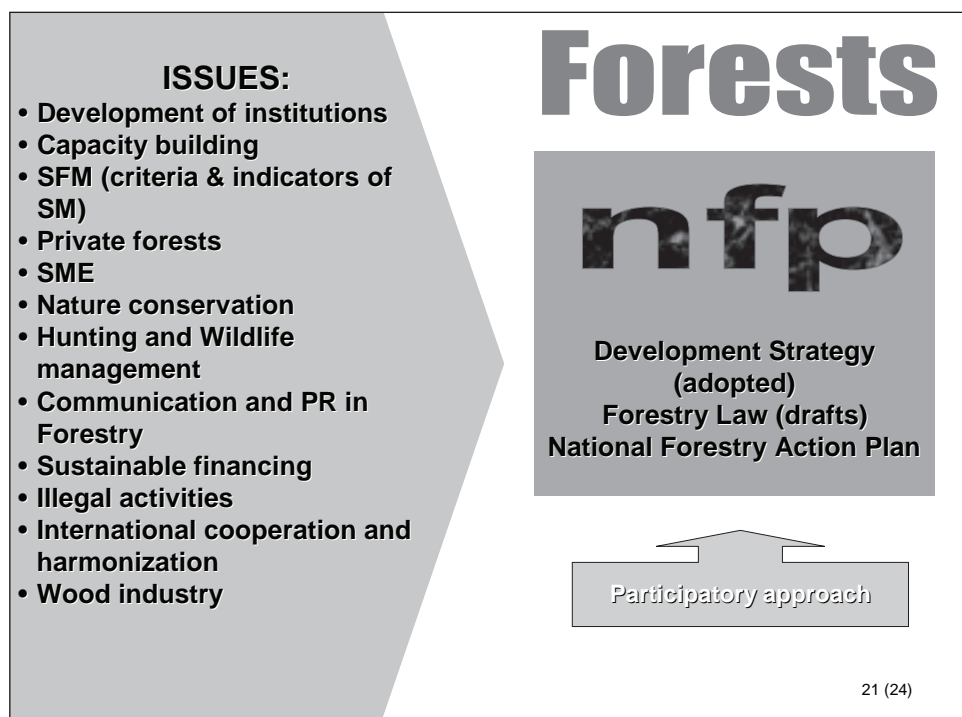


- FORESTRY DEVELOPMENT ST STRATEGY**
- IMPLEMENTATIONS...**
- **Sectoral planning**
 - **Sectoral investments**
 - **Sectoral coordination**
 - **Institutional reform**
 - **Forestry legislation**
 - **International and regional cooperation**
 - **Follow-up and evaluation of the Sector**
- 16 (24)



- LAW ON FORESTS (key novelty...) (1)**
- 1. All forests under unique legal act (NP, PAs, etc.) with defining special interest of state in management of forests of Serbia,**
 - 2. Clearly defined the principles of forest management in accordance with Pan-European C & I,**
 - 3. Explicitly defined rights and responsibilities of state and experts dealing with management of forests,**
 - 4. Preferably defined protection and discouragement of forest and forest land assignment changes,**
 - 5. Better defined question of forest protection (legal ownership rights and biological),**
 - 6. Identified needs of overall development of IS in forestry**
- 18 (24)





ACHIEVEMENTS

- **forest administration reorganised,**
- **private forests in focus,**
- **forest extension service necessity,**
- **forests inventory completed,**
- **capacity building process adopted,**
- **nature protection and increasing environmental awareness,**
- **participative and cross-sectoral approach,**
- **active international cooperation....**

23 (24)

CONCLUSION

There is a lot of hard work to be done!

24 (24)

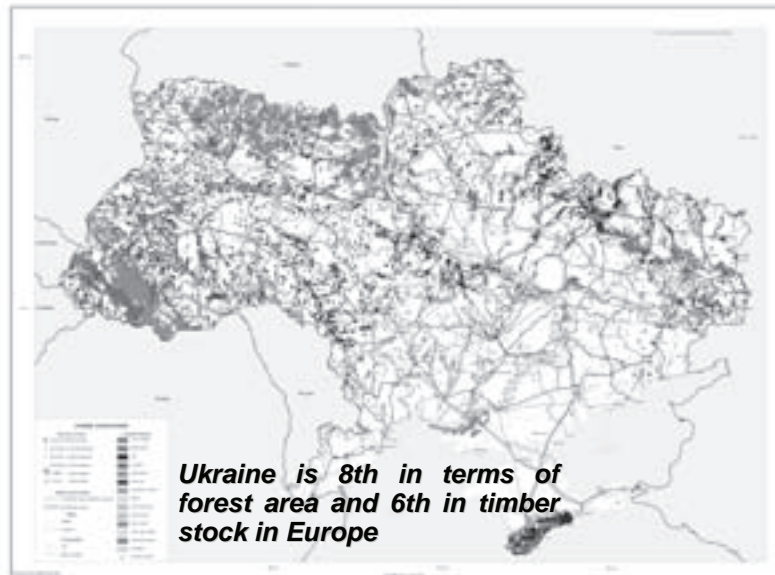


Special Features of National Forest Policy and Forest Management Reform in Ukraine

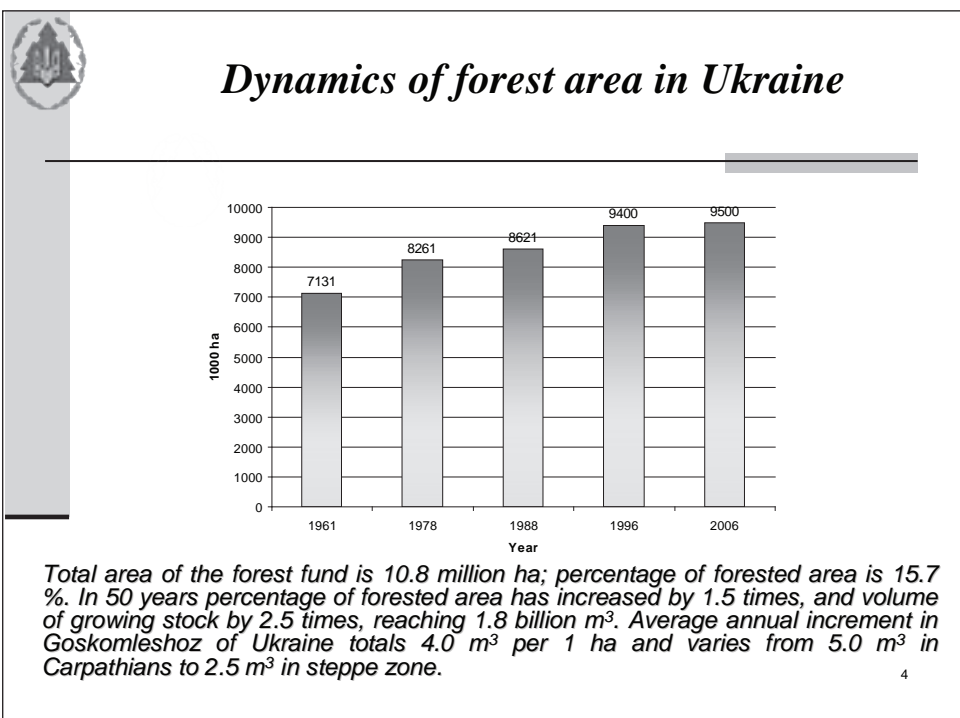
Professor, Dr. Viktor Tkach
Director
Ukrainian Research Institute of Forestry and
Forest Melioration



Forest map of Ukraine



Ukraine is 8th in terms of forest area and 6th in timber stock in Europe





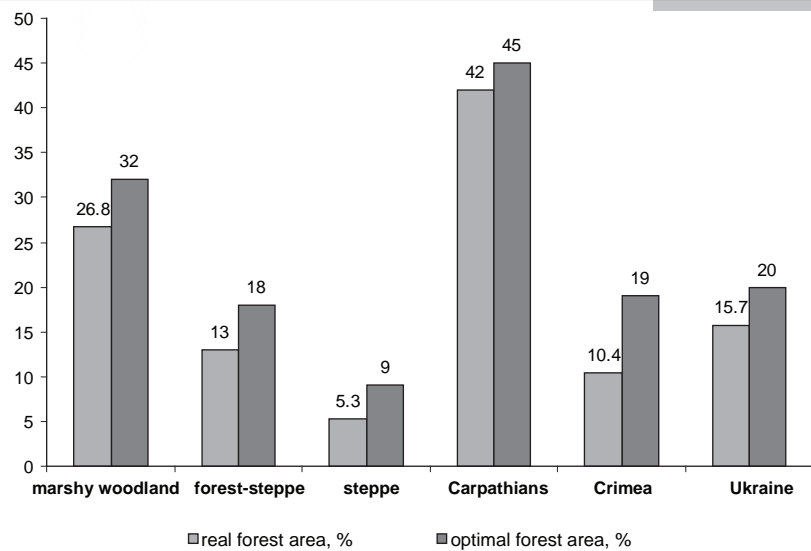
Key figures in forestry

<i>Region</i>	<i>Total area, 1000 ha</i>	<i>Forest area, 1000 ha</i>	<i>Percentage of forested area, %</i>	<i>Forest area per capita, ha</i>
<i>Europe</i>	<i>2260128</i>	<i>933326</i>	<i>41.3</i>	<i>1.3</i>
<i>Northern Europe</i>	<i>112329</i>	<i>52538</i>	<i>46.8</i>	<i>2.8</i>
<i>Western Europe</i>	<i>245569</i>	<i>59479</i>	<i>24.2</i>	<i>0.2</i>
<i>Eastern Europe</i>	<i>1902230</i>	<i>821309</i>	<i>43.2</i>	<i>2.4</i>
<i>Ukraine</i>	<i>60350</i>	<i>9400</i>	<i>15.6</i>	<i>0.2</i>

5



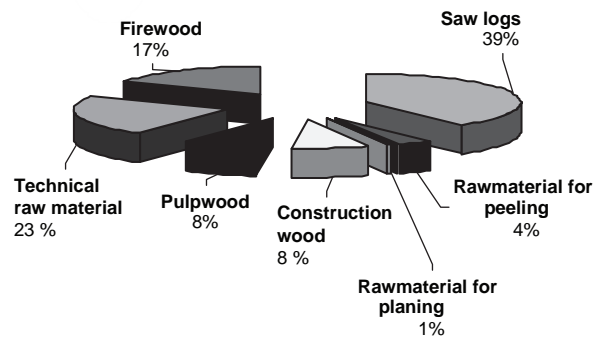
Percentage of forest area in Ukraine



6



Timber harvesting

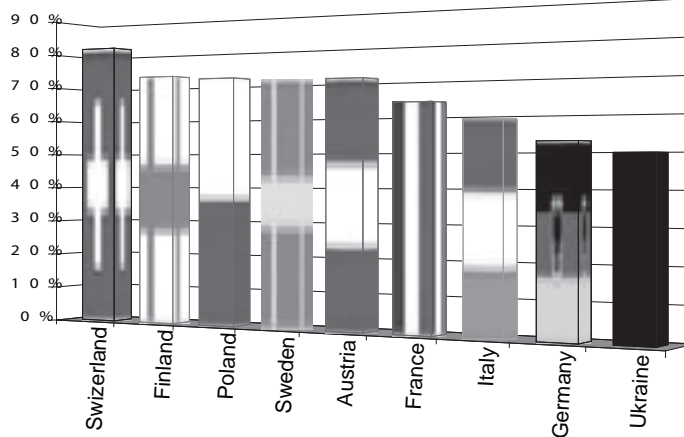


■ **Timber is the main forest resource. Annual volume of harvesting of merchantable timber from all harvestings in Ukraine makes about 15 million m³ (in Goskomleshoz – 12 million m³). Final fellings – 6,5 million m³ (in Goskomleshoz – 5,6 million m³)**

7



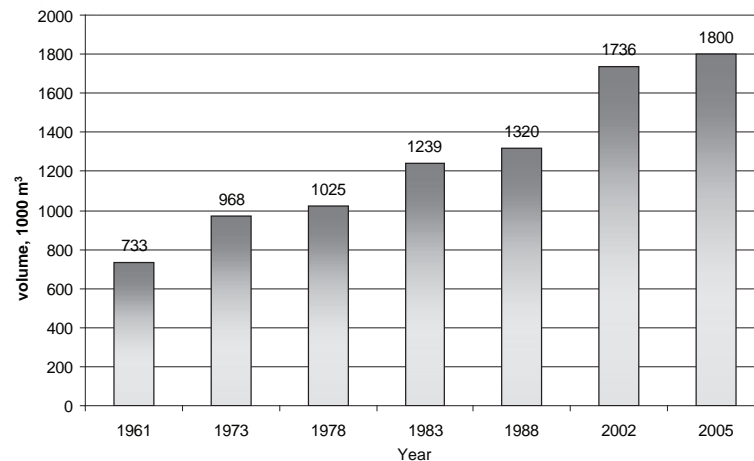
Use of annual increment



8



Dynamics of timber volume in forests of Ukraine



9



Problems in forestry

- **Special features in political, social and economic situation in the country;**
- **Lack of development in legal basis of forestry and in development of forest relations;**
- **Low demand for timber in domestic market, especially for low quality timber;**
- **Imperfection of forestry management in forests that belong to different forest owners;**
- **Imperfection of financial mechanisms of forestry development;**
- **Weak correspondence between machine engineering and needs of forestry;**
- **Lack of regulation of foreign trade including export and import relations;**
- **Investment climate not favourable enough.**

10



Documents on implementation of forestry development strategy in Ukraine

- *State programme “Forests of Ukraine” for 2002-2015 (2002, reviewed in 2007);*
- *Concept of forestry development in Ukraine for the period till 2015 (2006);*
- *Forest Act of Ukraine (2006);*
- *Priority activities on creating protection forests on wastelands and in basins of rivers (2001);*
- *Other documents on the strategy of developing individual areas of forestry activities adopted by the parliament, government, Ministry of Nature and Goskomleshoz.*

11



Basic provisions of Forest Act

- *Unified state management in the area of forest conservation, protection, rational use and extended regeneration of forests;*
- *Possibility of state, communal and private ownership on forests;*
- *Securing equality in property rights for forests among people, legal entities, territorial communities and state;*
- *Regulating the authority of all branches of power in the area of forest relations;*
- *Totally new principles of dividing forests by their functions with the aim of planning economic activities based on principles of sustainable development (forest division into groups has been abolished);*
- *Temporary forest use that can be long-term (from 1 to 50 years) and short-term (up to 1 year);*
- *New clauses were introduced for financing costs for conservation, protection, rational use and regeneration of forests; forest certification; biodiversity conservation in forests etc.*

12



Dynamics of key figures of the forest fund

(State programme "Forests of Ukraine")

<i>Indicators</i>	<i>Unit</i>	<i>2001</i>	<i>2005</i>	<i>2010</i>	<i>2015</i>
<i>1. Total area of forest fund:</i>	<i>million ha</i>	<i>10.8</i>	<i>10.9</i>	<i>11.3</i>	<i>11.7</i>
<i>of which covered by forests</i>	<i>million ha</i>	<i>9.4</i>	<i>9.4</i>	<i>9.7</i>	<i>10.3</i>
<i>2. Total volume of forests</i>	<i>billion m³</i>	<i>1.74</i>	<i>1.83</i>	<i>2.04</i>	<i>2.27</i>
<i>3. Average volume per ha</i>	<i>m³</i>	<i>186</i>	<i>195</i>	<i>210</i>	<i>220</i>
<i>4. Average change in volume per ha</i>	<i>m³</i>	<i>3.8</i>	<i>3.8</i>	<i>4.0</i>	<i>4.2</i>
<i>5. Forested area of forest fund</i>	<i>%</i>	<i>15.6</i>	<i>15.6</i>	<i>16.1</i>	<i>17.1</i>

13



Concept of reforming forestry in Ukraine

- *Transfer of state-owned forests to Goskomleshoz;*
- *Support for communal and private ownership of forests;*
- *Enhancement of payments for forest resources;*
- *Supporting the development of recreational and tourism infrastructure in forests; environmental education activities;*
- *Ensuring environmentally oriented forestry;*
- *Reduction of volumes of clear cuts, their substitution by thinnings and selective fellings;*
- *Ensuring biodiversity conservation in forests;*
- *Solving the problem of protective afforestation at the level of the state.*

14



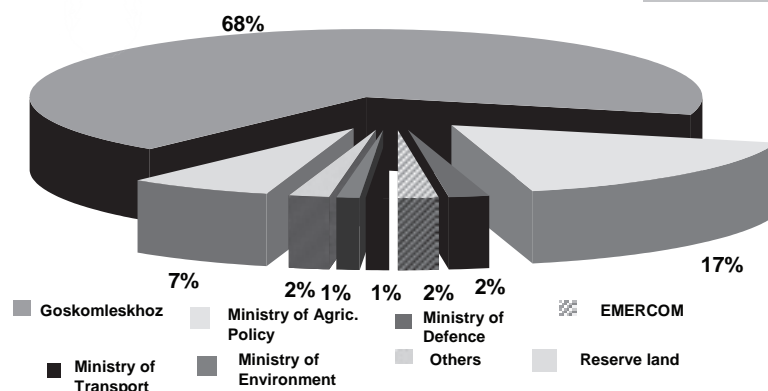
Concept of reforming forestry in Ukraine

- Development of a competitive basis for a service market in forestry;
- Formation of transparent timber market by sales of harvested timber on a tendering basis via auctions and sales;
- Optimization of the structure and number of forestry enterprises;
- Reorganization or abolishment of some inefficient enterprises;
- Separation of the woodworking sector from forestry by establishing independent enterprises acting on the basis of market principles;
- Establishment of production units on the basis of woodworking workshops acting on the principles of joint ventures.

15



Distribution of forest fund lands of Ukraine by subordination, %.



Forest fund of Ukraine in subordinate to over 50 ministries, administrative bodies and organizations

16



Reform of forest planning and inventory

- *Center of National Forest Inventory and Monitoring to be established under the entity «Ukrghoslesprojekt» (2007);*
- *Basic GIS for national inventory of forests – new technology «Field-Map» has been chosen (developed by the Forest Ecosystem Research Institute, Czech Republic);*
- *First cycle of national forest inventory (2007-2012)*
- *From 2013 – collection and analysis of information about all forests of Ukraine on the basis of sampling and statistical methods;*
- *Creation of a unified geographic information system on forestry branch of Ukraine. “Smallworld” software is a basis for the geographic information system being developed;*
- *Provision of PCs for all levels of forest management.*

17



Reforming forestry in Ukrainian Carpathians

- *Improvement of the legal basis of forestry;*
- *Implementation of state normative acts:*
 - *law on moratorium on clear cutting in spruce-beech-silver fir forests in Carpathians;*
 - *long-term program on construction of forest roads in the Carpathians;*
- *Execution of a series of organizational and silvicultural activities in forests of Ukrainian Carpathians:*
 - *wide use of nature-friendly technologies in the mountain conditions;*
 - *construction of forest roads in the mountains;*
 - *limited use of tracked machinery and gradual switch to cable logging.*

18



Forest Policy and Its Instruments in the Czech Republic – Overview of a Study Tour by a Russian Expert to a New EU Member Country

Igor Lyzlov
Head of Department
Forest Committee of the Republic of Komi,
Russia

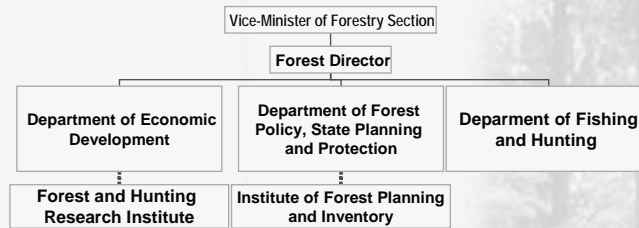
Key documents in forest legislation

- ❧ **Forest Act**
- ❧ **National Forest Programme**
- ❧ **Nature and Landscape Conservation Act**
- ❧ **Programme for the Development of National Parks**
- ❧ **Sales of Forest Reproductive Material Act**



Institutional structure of forest sector I

Ministry of Agriculture – Forestry Section



Structural bodies II



Forests of the Czech Republic (State Enterprise)



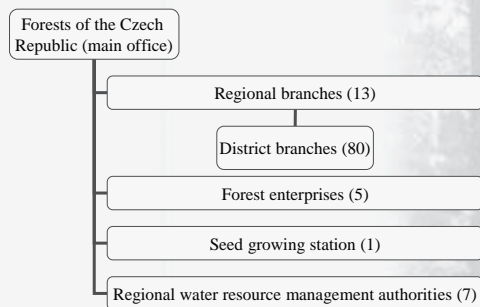
Institute of Forest Planning and Inventory



Forest and Hunting Research Institute



Forests of the Czech Republic

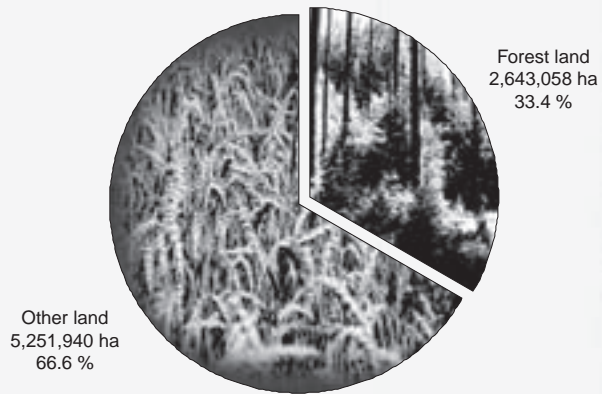


Institute of Forest Planning and Inventory

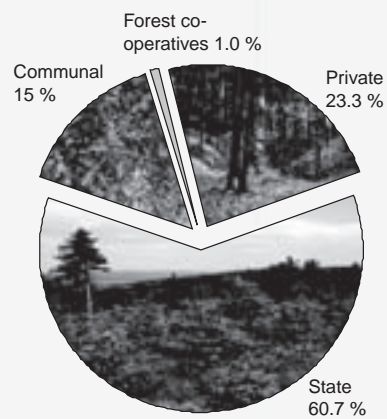
- Conducting forest inventory
- Development and use of data of regional forest development plans (RFDP) and maintenance of a unified typological scheme in forests
- Function of an information centre (IC) for forest and hunting sector
- Consultancy and services for the forest certification process



Share of forest land



Forest ownership distribution (as of 2002)

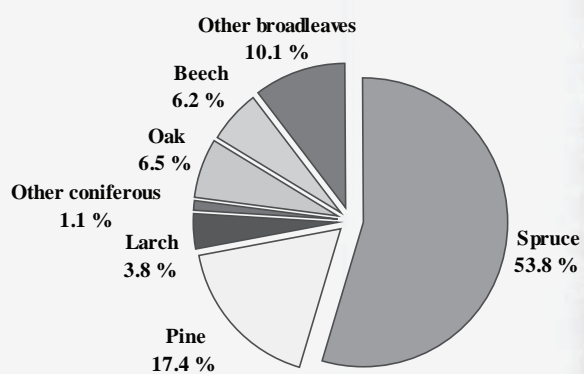


Changes in ownership structure

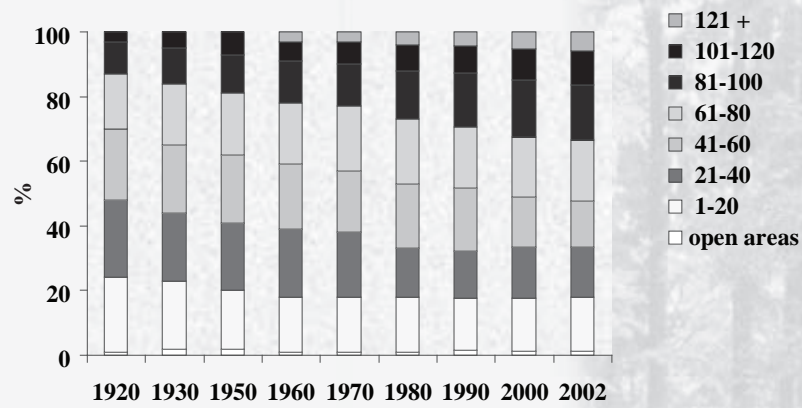
Ownership structure, %		
Forests	Year	
	1990	2002 (+/- Change)
State	95.8	60.7 (- 35.1)
Communal	-	15.0 (+ 15.0)
Church	-	-
Forest cooperatives	-	1.0 (+ 1.0)
Private	0.1	23.3 (+ 23.2)
Cooperative farms	4.1	- (- 4.1)



Species composition



Age structure of stands



Forest regeneration

Forest regeneration (ha)					
Forest regeneration method	1990	1995	2000	2001	2002
Artificial	33 615	30 128	21 867	19 109	18 120
Natural	908	1 163	3 422	2 944	3 940
Total	34 523	31 291	25 289	22 053	22 060



Role of the forest sector in the national economy

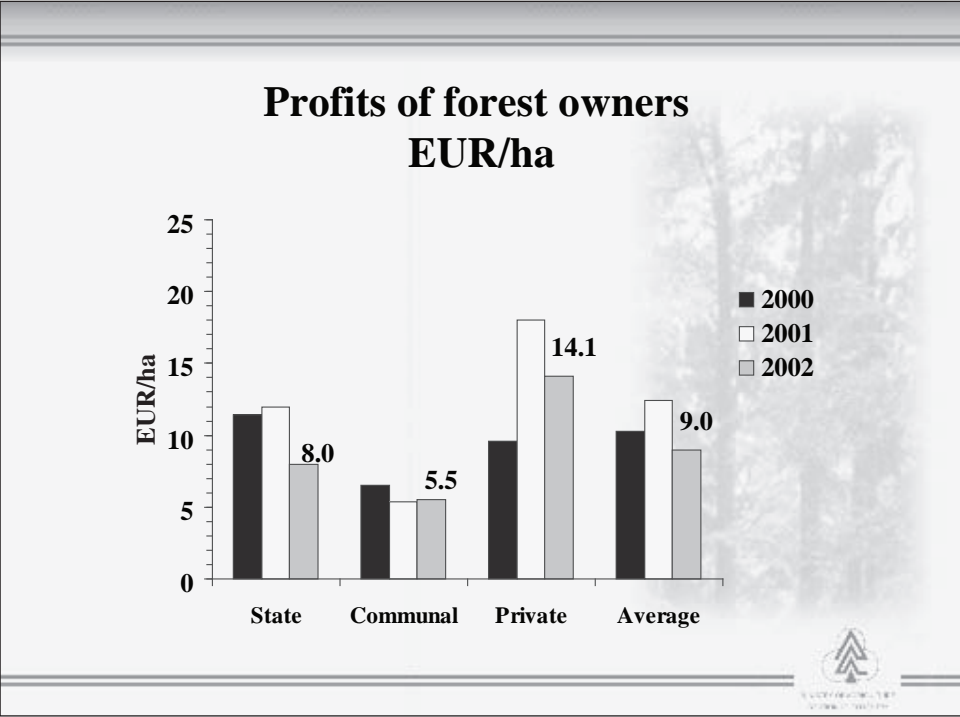
Year	Gross income	of which forestry based	
	billion EUR	billion EUR	%
2001	57.3	0.60	1.05
2002	66.5	0.65	0.97



Average prime cost EUR/unit

Operation	Unit	2000	2001	2002
Forest regeneration	ha	1 593	1 801	1 892
Forest planting	ha	200	218	251
Thinning	ha	203	214	230
Protection activities	ha	2.5	2.5	2.2
Felling	m ³	4.2	4.5	4.7
Skidding	m ³	5.6	5.5	6.6
Short distance transportation	m ³	4.2	4.5	4.7
Road repairs and use	ha	14.3	14.8	15.0

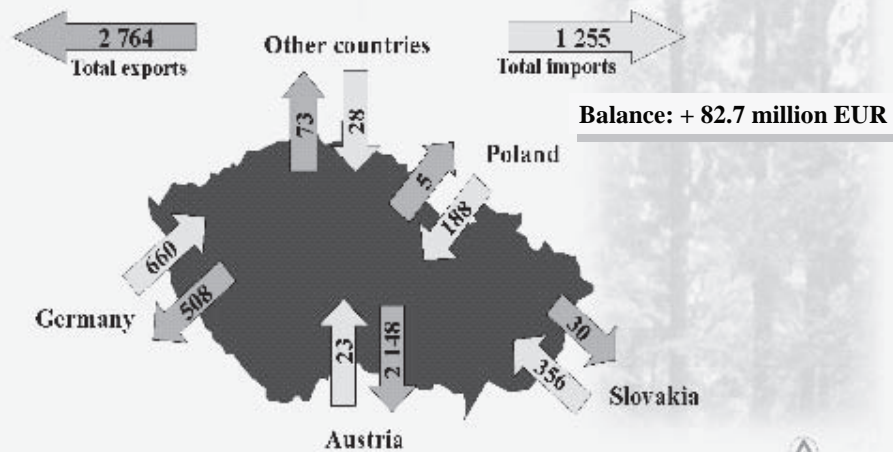




Financing of forest sector Million EUR

	2000	2001	2002
State financing	7.7	8.1	9.2
Subsidies for forest owners	15.9	10.5	12.6
Services for forest owners	3.3	3.1	3.6
Funds for reforestation of agricultural lands	2.2	2.9	2.9
Funds for management of forests	1.7	1.9	2.0
Resources from the state environmental fund	1.5	1.8	4.1
Total	32.9	29.0	35.6

Export and import of roundwood in 2002 1000 m³



Forestry education

Level of professional training	School	Number of schools
University	Faculties of Forestry	2
Further training	Higher forestry schools	2
Technical training	Forestry secondary schools	5
Vocational training	Vocational schools	13

Summary (distinctive features)

1. Transfer of forest management to a state body (to representative of the owner)
2. Development of regional forest development plans and information database
3. Reduction of volumes of artificial regeneration
4. Favouring of thinnings
5. It is more profitable for the state to sell products than standing forest
6. Contractual forestry operations



THEME II

State forest administration and institutional framework

Chairman

Christian Salvignol
UNECE/FAO/ILO Joint Experts Network to implement SFM



Presentations

Forestry education and training – competences, methods and tools for forest sector reform using networking and partnerships

Christian Salvignol, Chairman, UNECE/FAO/ILO Joint Experts Network to implement SFM

Organisation of state forest management under the conditions of forest leasing - Example of Maksatikhinskiy leskhoz, Tver Region

Aleksey Chernyshov, Director, Maksatikhinskiy leskhoz, Tver Region, Russia

Forestry administration and institutions - the Slovenian example

Živan Veselič, Assistant Director for Professional Matters, Slovenia Forest Service

State forest administration in Lithuania - overview of a study tour by a Russian expert to a new EU member country

Alexandr Artemyev, Head of the Forest Field Inventory, Sevzaplesproekt, Russia



Forestry Education and Training - Competencies, Methods and Tools for Forest Sector Reform Using Networking and Partnerships

Christian SALVIGNOL
Chairman of the Joint FAO/ECE/ILO Experts
Network to implement SFM
Director of a Forestry training Centre in France
(La Bastide des Jourdans)



International conference - Pushkino (Russia) - 21-22 March 2007

Supporting the forest sector reform in Russia and in the Southeast European countries by assessing the experiences of the New EU Member States



Contents:

- > The Joint FAO/ECE/ILO Experts Network
- > Forestry training in Europe
- > Interest of training
- > Interest of networking
- > Interest of partnerships
- > Concrete proposal



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Supporting the forest sector reform in Russia and in the Southeast European countries by assessing the experiences of the New EU Member States



**Who?
Where?
What for?**



Christian SALVIGNOL

Chairman of the Joint FAO/ECE/ILO Experts Network to implement SFM

Director of a Forestry training Centre in France (La Bastide des Jourdans)

www.eduforest.eu



International conference - Pushkino (Russia) - 21-22 March 2007

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The Joint FAO/ECE/ILO Experts Network to implement SFM

Work area: Social, environmental and cultural aspects of SFM.

The principle:

- > Networking using modern methods of communication.
- > Networking process helps to identify the needs and the priorities.
- > Some participants, in the networking process, will eventually decide to create partnerships, and will undertake activities such as seminars, conferences, work programmes with results to be implemented (to share and use the results).
- > Partnerships and funding help to achieve the work programme of the Network.



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Supporting the forest sector reform in Russia and in the Southeast European countries by assessing the experiences of the New EU Member States



The Joint FAO/ECE/ILO Experts Network to implement SFM

- > 19 official national contact points already registered and many forest experts.
- > Links with MCPFE, ENFE, European Commission.
- > The network is created, updated and maintained by people who are volunteers and who do this in addition to their regular work.
- > To work and make its activities known, the Joint Experts Network uses the most up to date methods of communication : internet, email and newsletters



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Forestry training in Europe:

- > Vocational high schools / universities
- > Technical training centres with a strong link with professional associations
- > International cooperation
- > An example in France



International conference – Pushkino (Russia) – 21-22 March 2007

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Interest of training:

- > Training in order to improve competencies
- > Training in order to acquire adapted methods
- > Training to get the appropriate tools



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Interest of Networking:

- > Exchange of experiences
- > Communication between experts
- > Opportunity for partnerships (all types of partners included)
- > A tool for networking: www.eduforest.eu



International conference - Pushkino (Russia) - 21-22 March 2007

Supporting the forest sector reform in Russia and in the Southeast European countries by assessing the experiences of the New EU Member States



Interest of partnerships:

- > Addition of ideas and sharing experiences to satisfy the needs
- > Funding for cooperation
- > Efficient work programmes
- > Adaptable and low-price products
- > Real progress that meets the needs

Examples: Eduforest, Safety and Forestry Training, Learn For Work, Albania



International conference - Pushkino (Russia) - 21-22 March 2007

Supporting the forest sector reform in Russia and in the Southeast European countries by assessing the experiences of the New EU Member States



Concrete proposal:

- > Registration to the Joint FAO/ECE/ILO Experts Network (National contact point and experts)
- > Registration to the Eduforest network (training centres)
www.eduforest.eu
- > Start to network using Eduforest website.
- > Start to elaborate a concrete project with partners.



Bureaux meeting - 2 October 2006
Progress report on the implementation of the programme of work



Keep in mind:

Next partnership operation:
A seminar on safety in Forestry
23-25 May 2007 - France & Switzerland
www.safety-forestry-2007.net

www.eduforest.eu
Contact: Christian SALVIGNOL
+33.490.77.88.00



Organisation of State Forest Management under the Conditions of Forest Leasing – Example of Maksatikhinskiy Leskhoz, Tver Region

Aleksey Chernyshov
Director
Maksatikhinskiy leskhoz, Tver Region, Russia



Brief description of the forest fund of the Maksatikhinskiy leskhoz

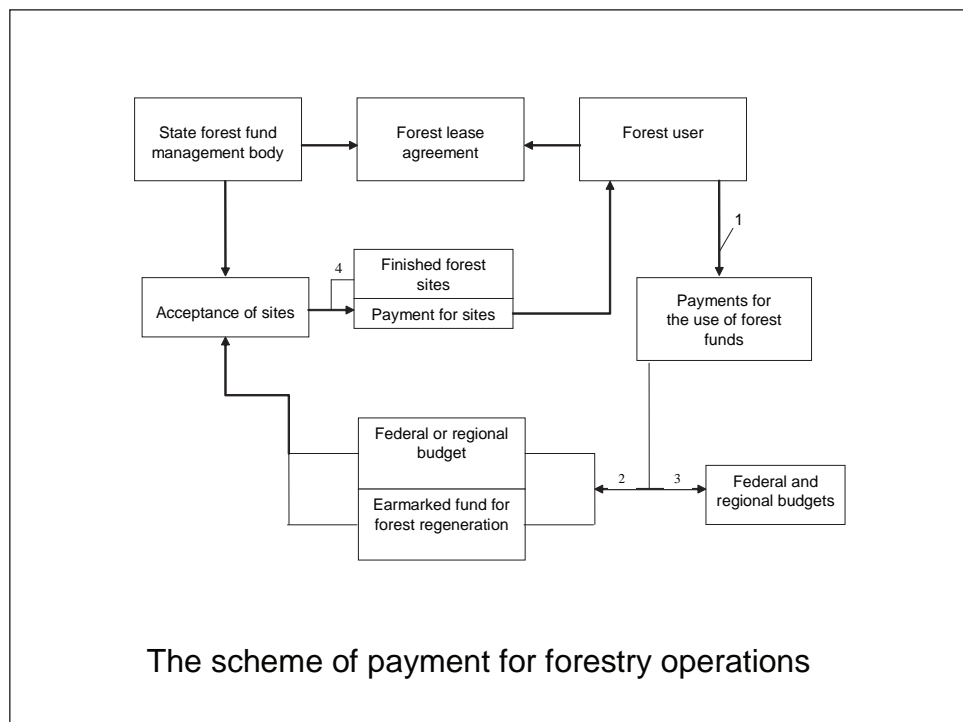
Indicator	Unit	Forest inventory data 2006
Total area	ha	105558
Forest area	ha	91122
of which mature and overmature forests	ha	36822
Total volume	1000 m ³	18295,5
of which coniferous	1000 m ³	7935,0
deciduous	1000 m ³	10360,5
Annual final fellings	1000 m ³	244,4
of which conifers	1000 m ³	51,2
Total average increment	1000 m ³	291,3
of which conifers	1000 m ³	123,0
deciduous	1000 m ³	168,3
Average age	year	60
Average growth class		1,7
Average density		0,75
Average volume per 1 ha of forest covered area	m ³	201
Average volume of mature and overmature stands	m ³	247
Average composition of stands		37% birch, 16% aspen, 20% pine, 18% spruce, 4% grey alder, 4% black alder, 1% willow
Average composition of exploitable stands		53% birch, 19% aspen, 14% spruce, 8% pine, 4% black alder, 2% grey alder

Economic parameters of the lease holder "Maksatikhinskiy Lesopromyshlenniy Kombinat"

Parameter	Unit	In 2006
Volume of final fellings	1000 m ³	193,7
Average payments to the budget for the use of forest fund	RUB/m ³	65
Prime cost of harvested cubic metre	RUB	255
Costs for silvicultural operations at the expense of payments	RUB/m ³	55
Forest planting	RUB/ha	8051
Early tending of planted seedling stands	RUB/ha	234
Thinning of young stands	RUB/ha	2090
Pre-commercial thinning	RUB/ha	7053
Assistance to natural forest regeneration	RUB/ha	1549

Instruments of State management under the conditions of lease

1. Forest plan of a subject of the Federation
2. Forest management regulation
3. Forest development plan
4. State or municipal review of the forest development plan
5. State forest inventory
6. Forest declaration
7. State Forest Ledger





Forestry Administration and Institutions - the Slovenian Example

Živan Veselič
Assistant Director for Professional Matters
Slovenia Forest Service

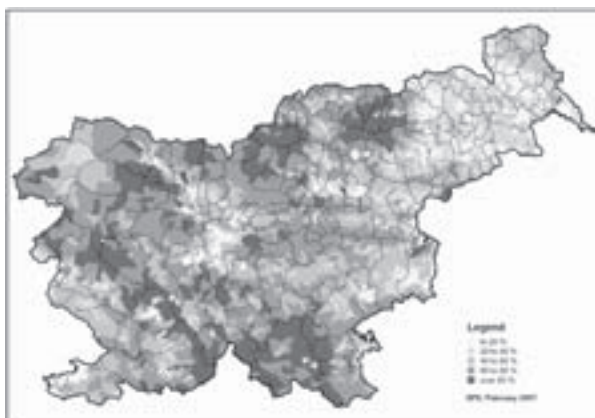
Slovenia



The variety of Slovenian landscape and forests is very high



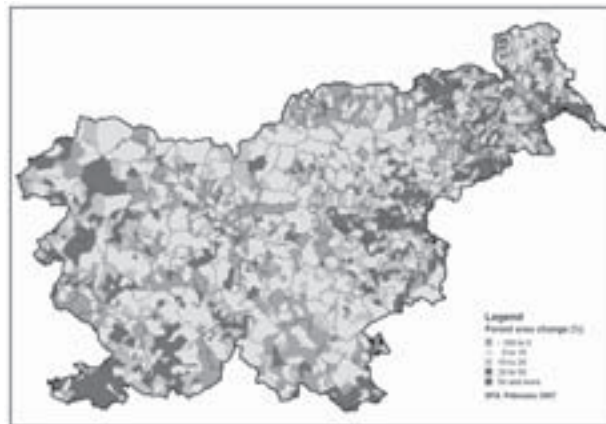
Some important data on Slovenian forests



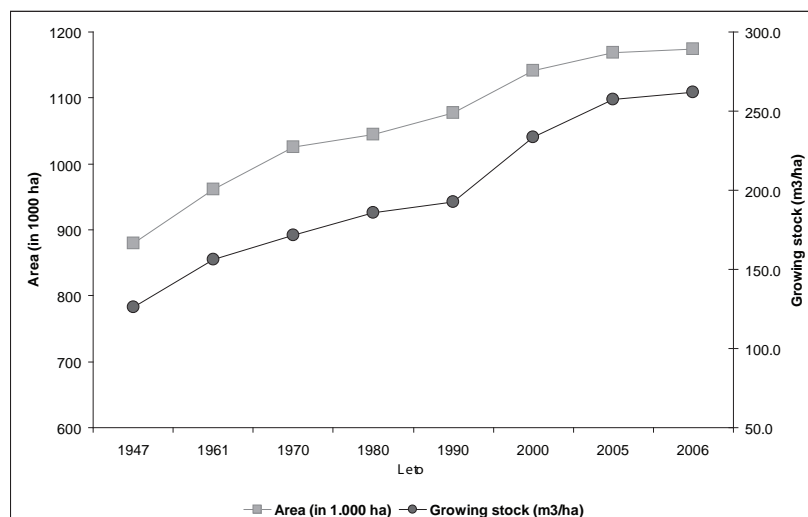
- The share of total area under forests
58 %
- Total forest area
1 174 000 ha
- The mean growing stock
262 m³/ha
- Coniferous: broad-leaves trees
47(%) : 53(%)
- Main tree species:
beech, spruce, oak, silver fir, pine

Changes in forest area in the period 1975-2000

(Slovenian Forestry Institute, dr. Milan Hočevar)



The changes in forest area and growing stock (per ha) for the last 50 years



Short view on the history of Slovenian forestry

- **1945-1990 Slovenia was a constitutional part of SFR Yugoslavia**
 - **First Federal Forest Act - 1947**
 - **Last Federal Forest Act – 1961**
 - **Republic Forest Acts: 1950...**
- **1991 - Republic of Slovenia**
 - **Forest Act - 1993**

The main features of Slovenian forestry before 1990

- Forest owners had to sell all woods to the 14 regional forest enterprises.
- Forest owners had to pay prescribed share of income from wood for silvicultural and forest protection works and for building and maintaining forest roads and skid trails.
- Forest enterprises were in charge of all professional works in state and private forests.
- Forestry was organized well, it was independent in the economic sense, yet the professional links between forest enterprises were weak.
- State forest service was run by forest enterprises; all forest works were paid by special fund, its money was arriving from each m³ of wood that was sold.
- Forest were managed well by forest enterprises. The growing stock increased, the quality of stands increased, they built many forest roads and skid trails in state and private forests.
- Forest owners were dissatisfied with their rights regarding their forests.

There were several scenarios of the forestry transition in Slovenia

- **First scenario:**
 - To disperse forest profession completely – there would be only one or two foresters within the staff of each community.
- **Second scenario:**
 - To form a separate administration for public and private forests.
- **Third scenario:**
 - To form one administration (Slovenia Forest Service) for all forests regardless of their ownership. Forestry enterprises would become independent forestry firms.

After long discussion, also in mass media, the third option was accepted and was included in new Forest Act.

Forestry transition – institution and organisations

- Forest Act prescribed to establish Slovenia Forest Service.
- Each of 14 forest enterprises was divided in two parts:
 - Experts for forest planning, silviculture, forest protection and forest rangers joined to regional unit of Slovenia Forest Service – that is why SFS has 14 regional units.
 - Other part of each forest enterprise transformed to the independent firm.
- By special act the Fund of Agricultural Land and Forests was established - the State organisation that manage all state agricultural land and forests; all professional works in State forests are planned and realised by SFS.
- Forest enterprises have got a longterm (20 years) concession for utilising State forests.

Forestry transition – forest owners

- Through denationalisation approx. one third of State forests (approx. 10 % of all forests) have returned to the private ownership.
- The market for timber is free.
- Forest owners have, nowadays, rights and duties that are usually derived from the private ownership in developed countries.
- In the Managing Council of SFS there are also the representatives of forest owners, forest owners participate in forestry planning, ranger of SFS and forest owner mark together trees for cutting.
- Forest owners are not obliged to cut forest, they are obliged to realize protection works and some silvicultural works.
- Because of public significance of forests the State finance SFS and several protection works and co-finance silvicultural works and building and maintenance of forest roads.

Forestry transition – public and forests

- Free entrance to forests for people regardless the ownership of forests.
- People may use forest roads.
- People may pick mushrooms and other goods in all forests within the scope of recreational activities.
- Based on the maps of forest functions we are just designating the zones for different types of recreational activities in the forests.

Forestry transition – financing of forestry

- Because of public significance of forests the State:
 - finance:
 - Slovenia Forest Service
 - most protection works
 - co-finance:
 - silvicultural works (approx. 40 %)
 - building and maintenance of forest roads (35 %)

Forestry institutions and organisations in Slovenia

State institutions:

- Ministry of Agriculture, Forest and Food
(Forestry inspection operates within MAFF.)
- **Slovenia Forest Service**
- **Fund of Agricultural Land and Forests**
- Slovenian Forestry Institute
- Biotechnical faculty, Department of Forestry
- Secondary Forestry School

Legend:

Forestry organisations:

- Forestry enterprises
- **Agricultural and forestry chamber**
- **Association of forest owners**

Bold – new instit., organ.
Underlined – transformed organ.

Organisational scheme of SFS



SFS Forestry Departments

- Department of forest management planning
- Department of silviculture and forest protection
- Department of forest technique
- Department of game and hunting
- Department of forest owners and public relation
- Department of forest informatics

The main tasks of SFS

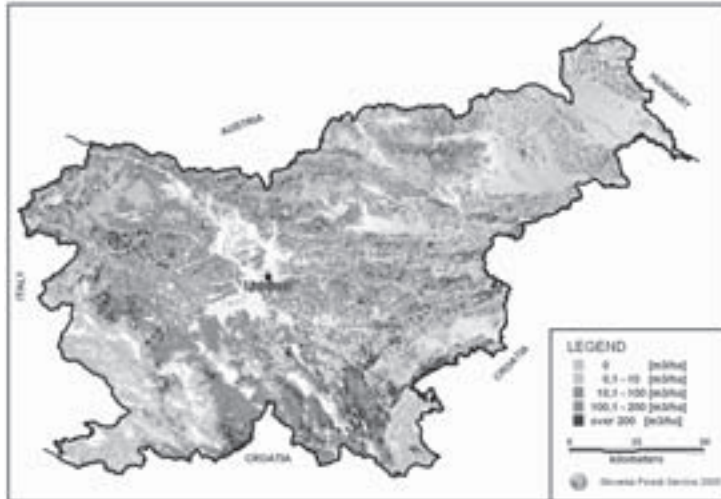
- Collecting and keeping data on forests,
- Monitoring biological balance and damages of forests,
- Forest management planning and game management planning,
- Elaborating programmes for protection of forests,
- Elaborating programmes of investment in forests,
- Cooperating in regional and state land use planning,
- Planning the maintenance of forest roads,
- Preparing documents required for providing subsidies to forest owners,
- Popularisation of forests and informing public on forests,
- Providing education and advice to forest owners,
- Controlling all works in forests that are financed or co-financed by the State budget.

Forest Act permits to SFS to execute professional works for Fund of Agricultural Land and Forests.

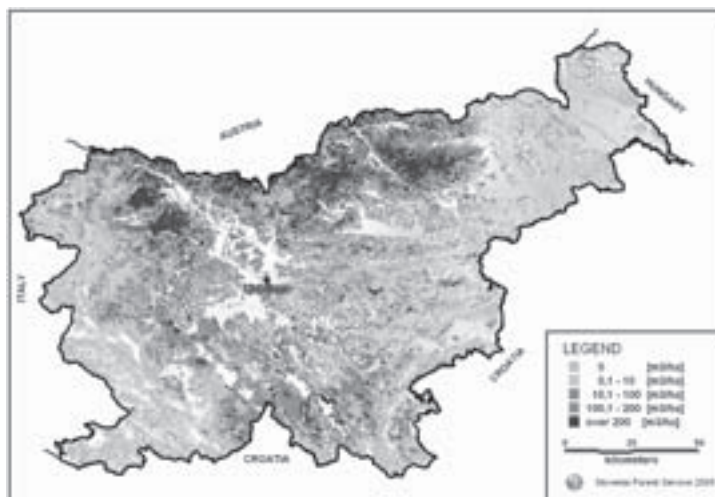
The main, sunny, side of Slovenian forestry transition

- We preserved appropriate number of forest experts (as regards to possible scenarios).
- The forestry planning and other professional activities are better coordinated and implemented.
- The forestry and hunting planning are better coordinated.
- SFS (without exploiting activities) is an appropriate partner in the field of nature conservation.

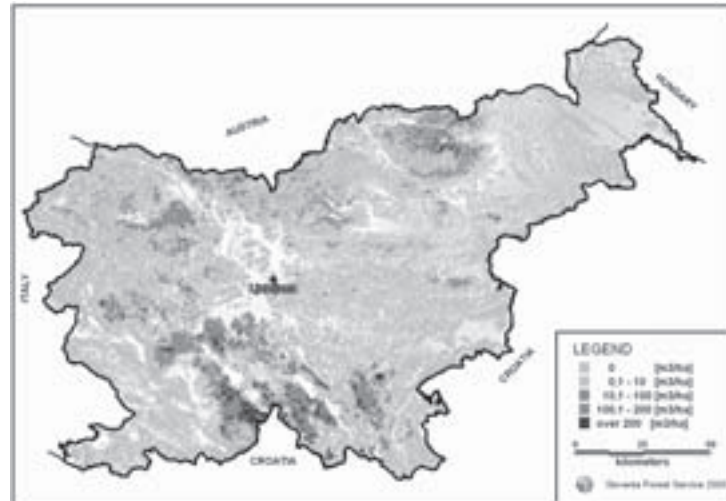
Tree species - Beech



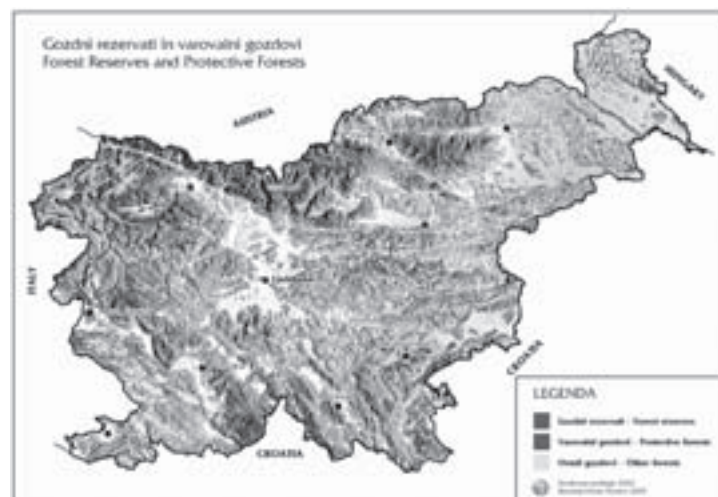
Tree species – Norway Spruce



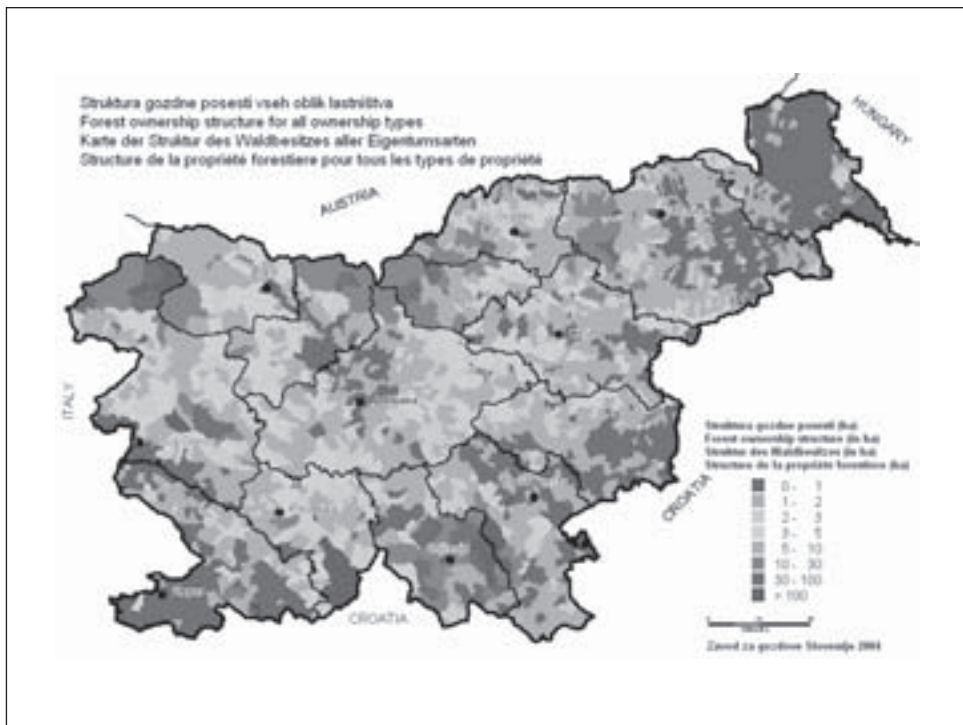
Tree species – Silver Fir



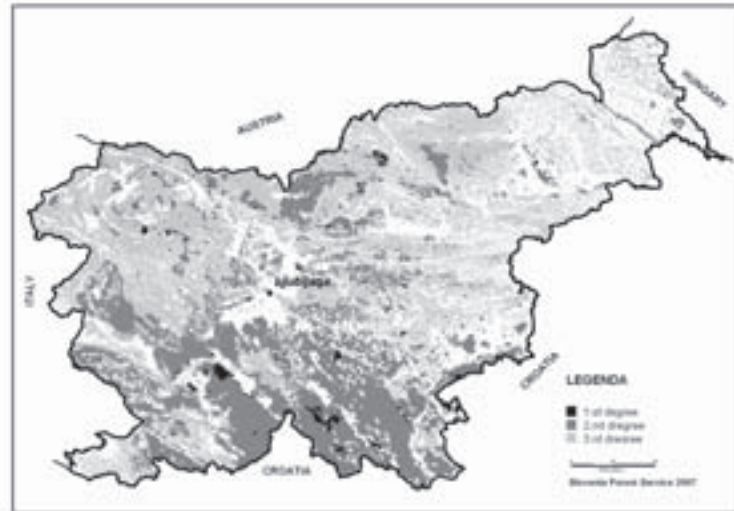
Forest reserves and protection forests



Skidding distance



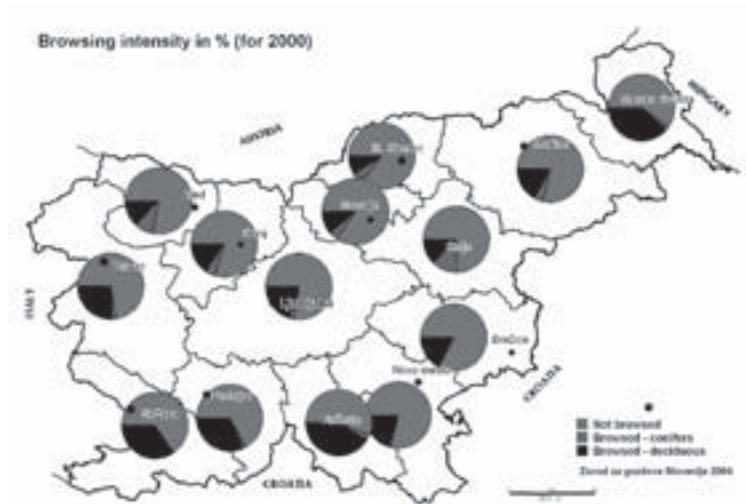
Hydrological function of forest



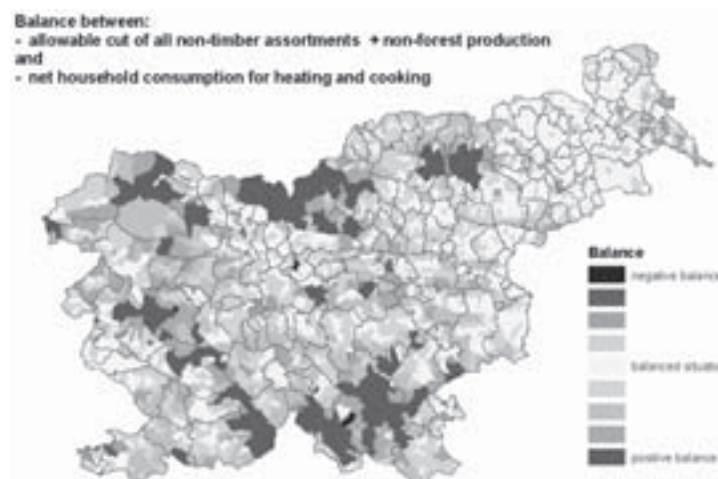
Fire hazards in the forest



Browsing intensity (in %) – for 2000



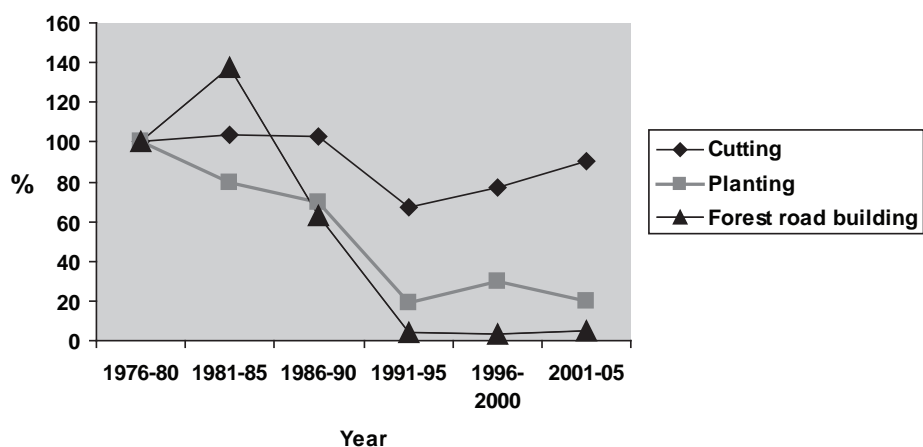
The balance between the allowable cut and household consumption of wood



The main drawbacks of Slovenian forestry transition

- There is less money in forestry for forests – State Fund, forestry enterprises and forest owners allocate it out of forestry – as a result forest roads building and other investment in forests and forestry have decreased dramatically.
- Many forest owners are not capable to conduct silviculture works in their forests – the implementation of forests guidelines in private forests decreased.

Cuttings and investments in forests in the period 1976-2005

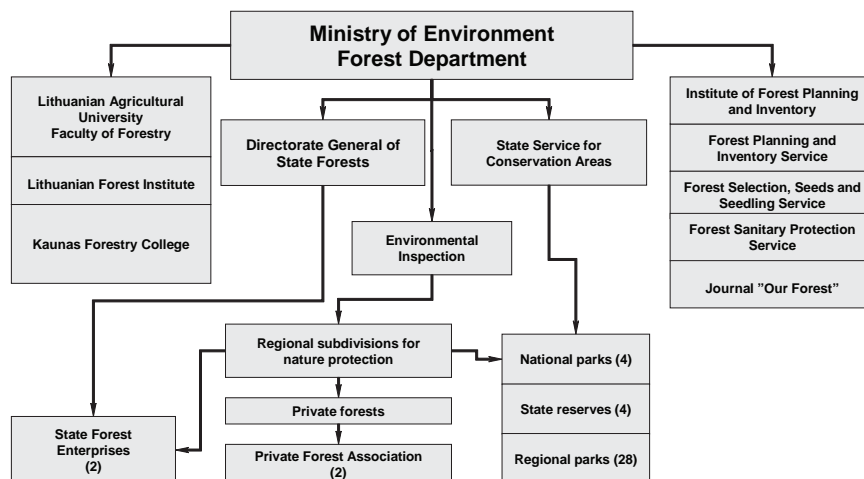




State Forest Administration in Lithuania – Overview of a Study Tour by a Russian Expert to a New EU Member Country

Aleksandr Artemyev
 Head of Forest Field Inventory
 Northwest Forest Inventory Enterprise
 "Sevzaplesproekt", Russia

Forest administration system in Lithuania

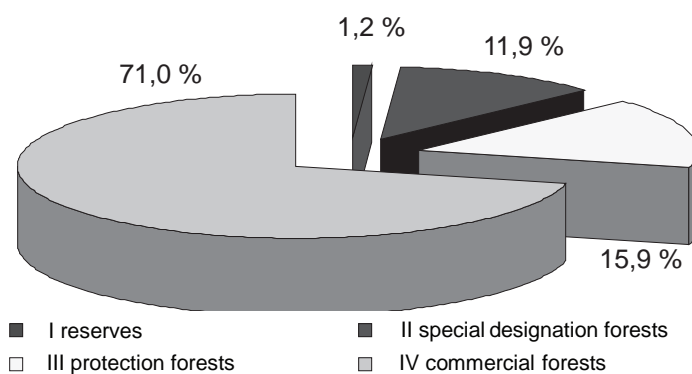


Key parameters of Lithuanian forests (01/01/2006)

Parameter	2001	2002	2003	2004	2005	2006
Forest land according to land inventory, 1000 ha	1998	1998	2008	2026	2038	2100
Forest land according to state inventory, 1000 ha	2020	2034	2045	2069	2091	2121
Forests 1000 ha	1928	1938	1951	1968	1988	2014
including artificial stands, 1000 ha	445	453	459	464	463	472
Total volume of timber with bark, million m ³	371,7	378,1	382,6	387,9	393,2	401,1
Average timber volume per ha, m ³	193	195	196	197	198	199
Total volume of mature stands, million m ³	73,7	74,4	77,4	79,6	81,5	83,3
Average volume of mature stands per ha, m ³	250	251	251	250	250	254
Total annual increment of timber with bark, million m ³	11,7	11,9	12	12,5	12,8	13,1
Current annual increment per ha, m ³	6,1	6,1	6,2	6,4	6,4	6,5
Increment share accumulated per ha, m ³	3,3	3,4	3,4	3,3	3,3	3,4
Forest area percentage	30,9	31,2	31,3	31,7	32,0	32,5
Forest area per capita, ha	0,57	0,57	0,59	0,60	0,61	0,61
Timber volume per capita, m ³	106	109	110	113	115	118

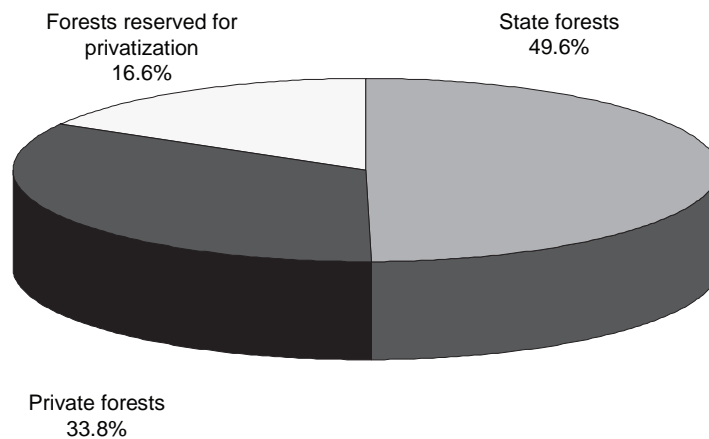
Source: State Forest Science Service

Forest land distribution by forest groups

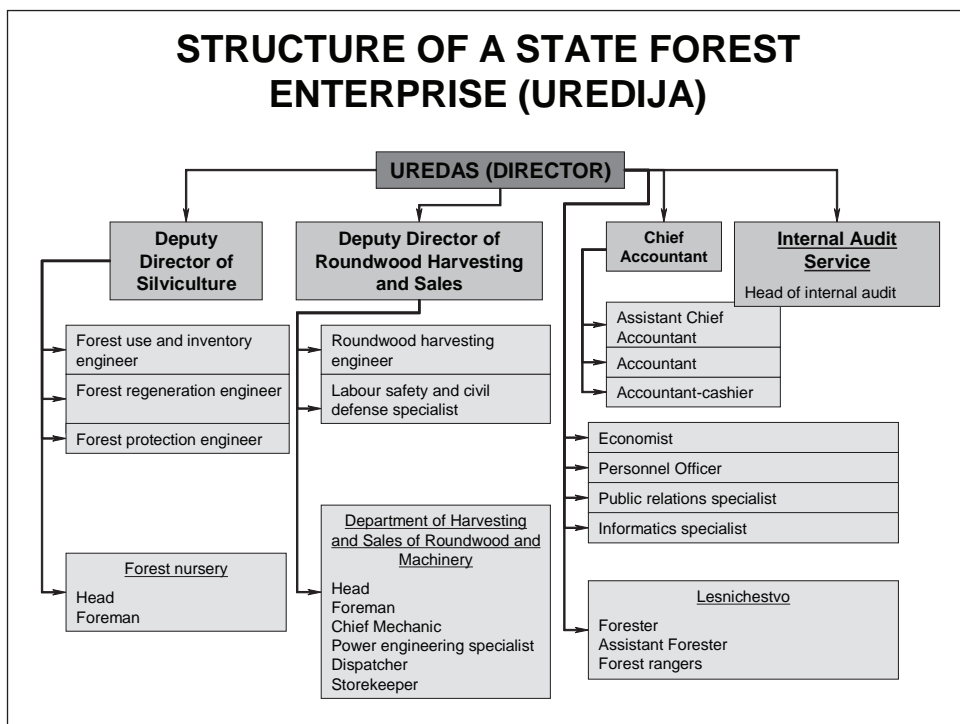


Forests by types of ownership

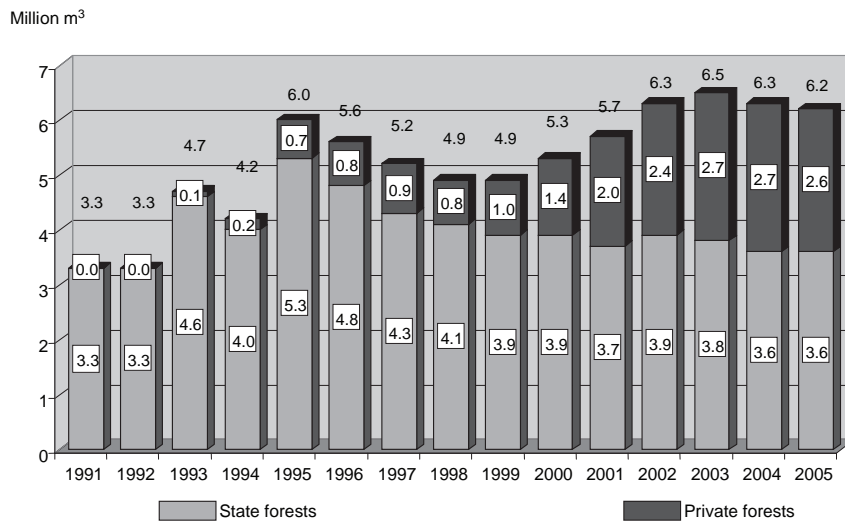
(01/01/2006)



STRUCTURE OF A STATE FOREST ENTERPRISE (UREDIA)

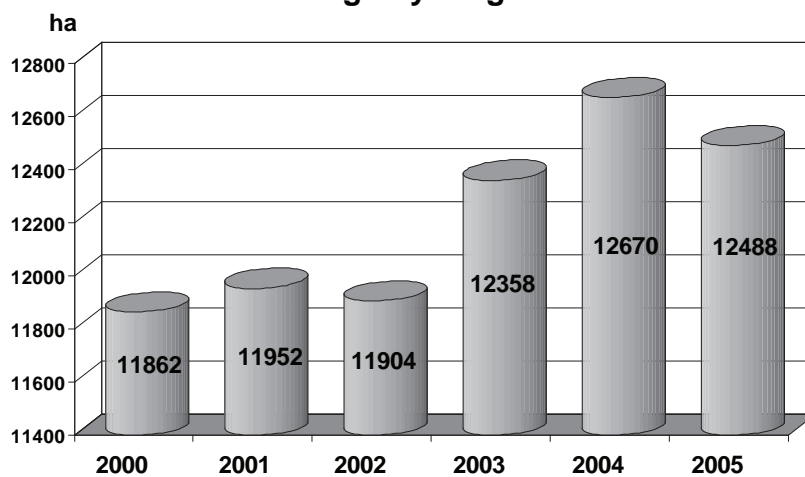


Forest use in private and state forests 1991-2005



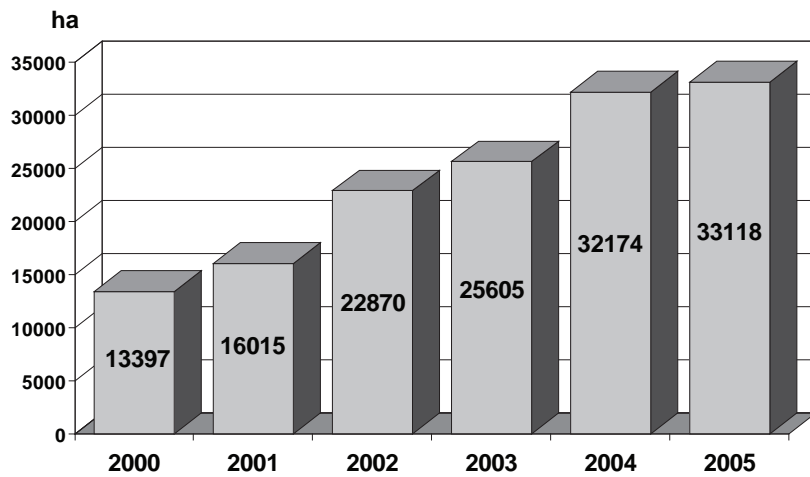
Silviculture

Tending of young stands



Silviculture

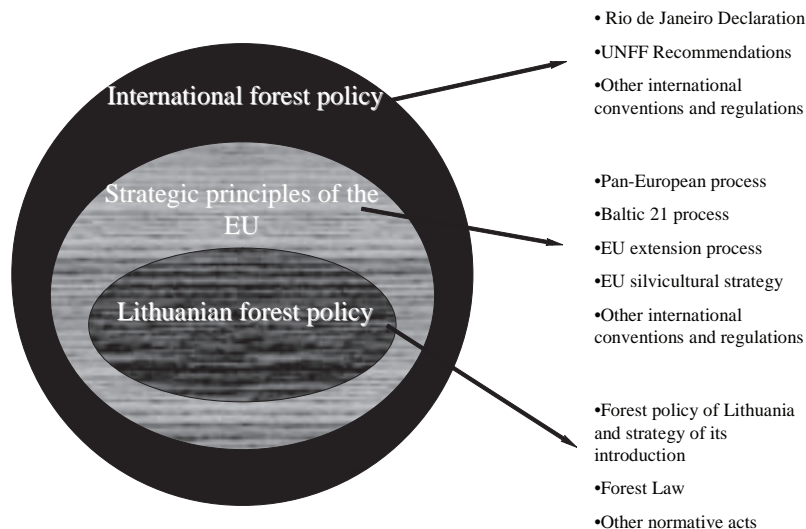
Management of artificially regenerated stands



Distribution of Lithuanian territory by regional departments of environmental protection



Forest policy



Lithuanian forest policy

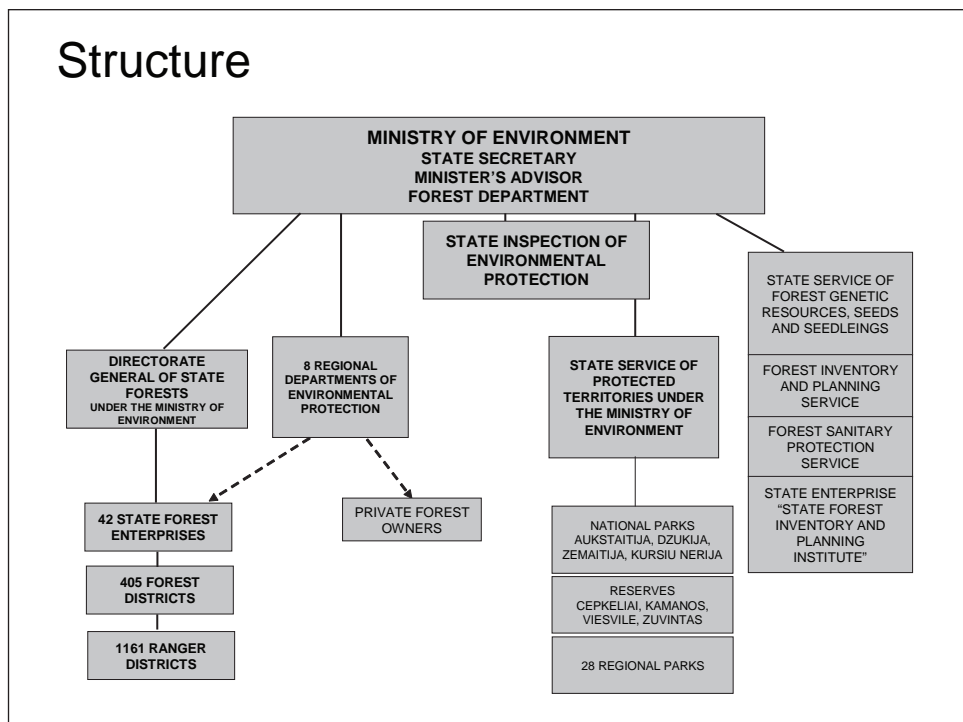
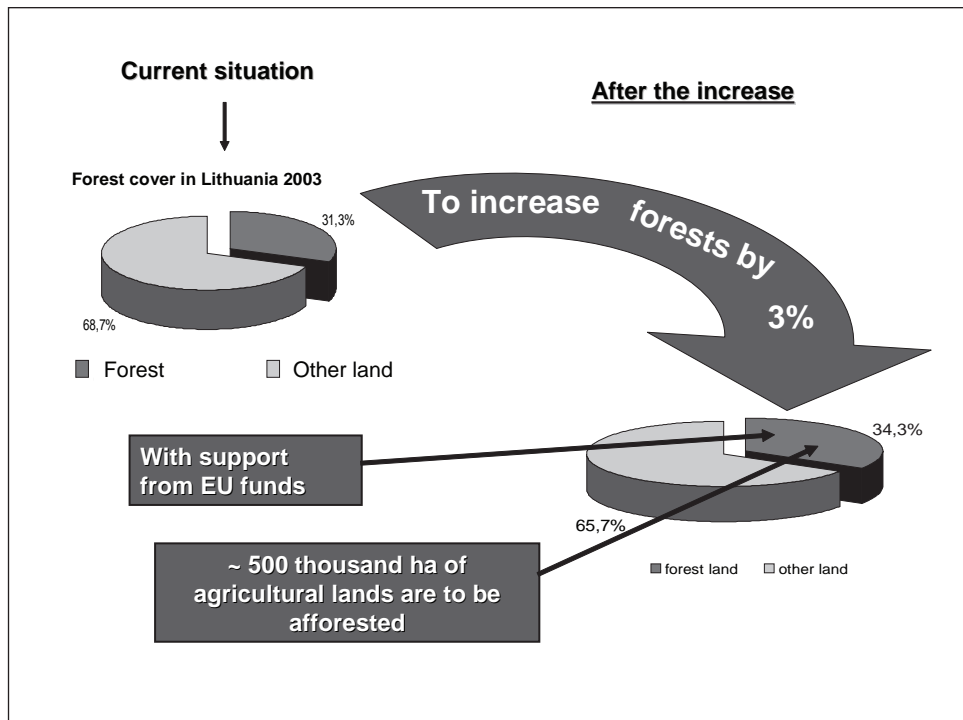
Lithuanian forest policy and strategy of its introduction (adopted in 2002) includes:

- Principles of policy formation
- Key areas of forest policy
- SWOT analysis and visions of forest sector of Lithuania
- Mission of the State
- Strategic goals of forest sector development
- Introduction strategy etc.

Basics of forest policy of Lithuania and strategy of its introduction:

- Increase of forest area by means of afforestation of agricultural land
- Strengthening of private forest sector
- Focusing on social and ecological functions of forest

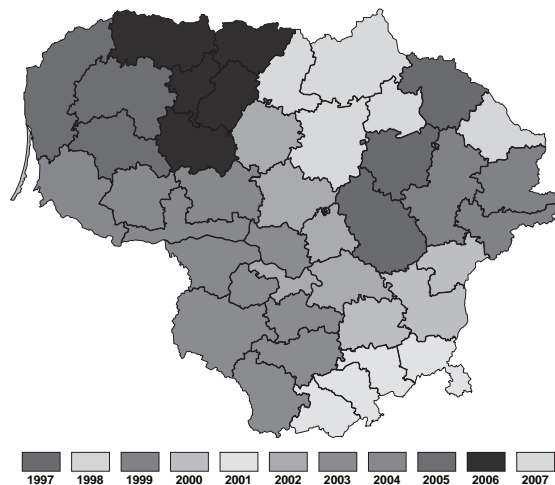
- **Forest Law** (adopted by the Parliament in 2001):
 - Forest policy and principles of economic activities widely presented in the Forest Law



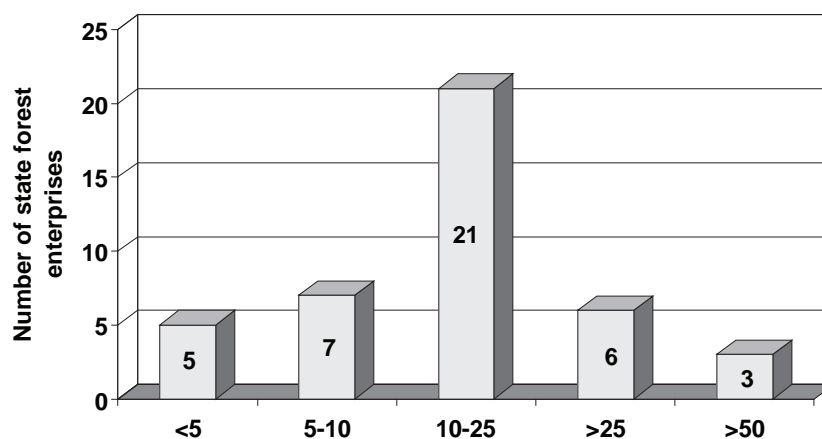
Directorate General of State Forests under the Ministry of Environment:

1. Enjoys the rights and duties of a founder of State forest enterprises and coordinates their activities;
2. Sets compulsory norms on forest regeneration, forest protection and forest inventory for state forest enterprises;
3. Facilitates general state fire safety measures and sanitary system of forest protection;
4. Facilitates and coordinates introduction of advanced technologies in forest regeneration, forest protection, and forest inventory.

Data on state forest enterprise (*uredija*) inventory in Lithuania 1997-2007

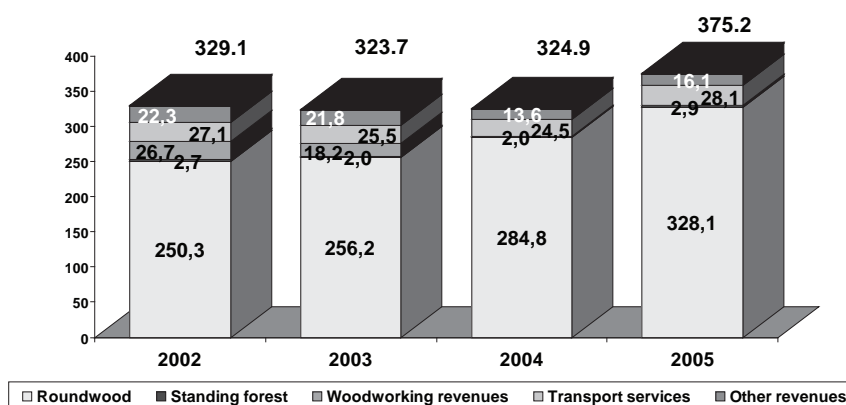


Number of private enterprises working in the state forest enterprises

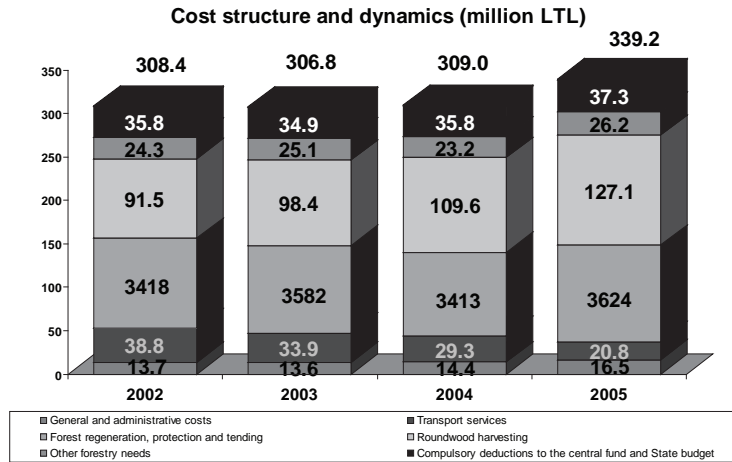


Figures on state forests of Lithuania

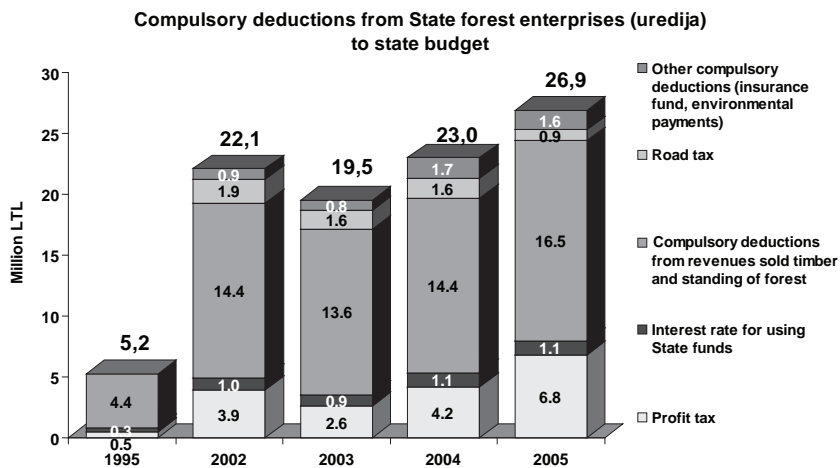
Dynamics and structure of revenues (million LTL)



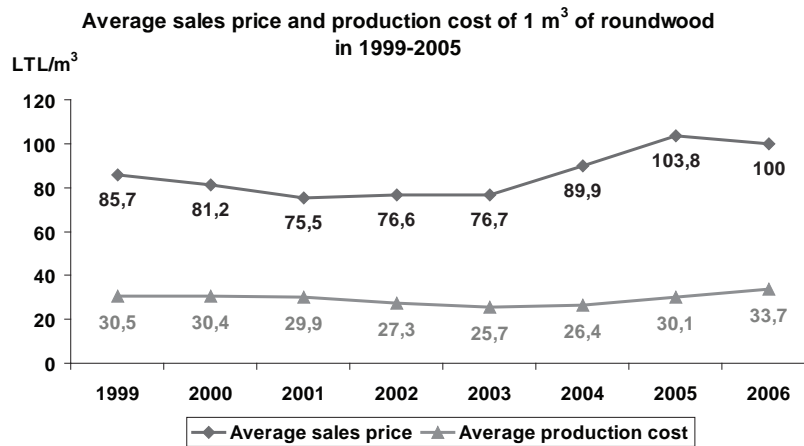
Figures on state forests of Lithuania



Figures on state forests of Lithuania



Figures on state forests of Lithuania



Regional Environmental Protection Departments:

1. Control the implementation of the Forest Law and execute State control over all national forests monitoring the condition of forests, forest regeneration, forest use and forest protection;
2. Provide logging permits;
3. Control the quality of forest inventory and planning;
4. Consult private forest owners on the issues of forest use, forest regeneration, management and protection.

Other important functions:

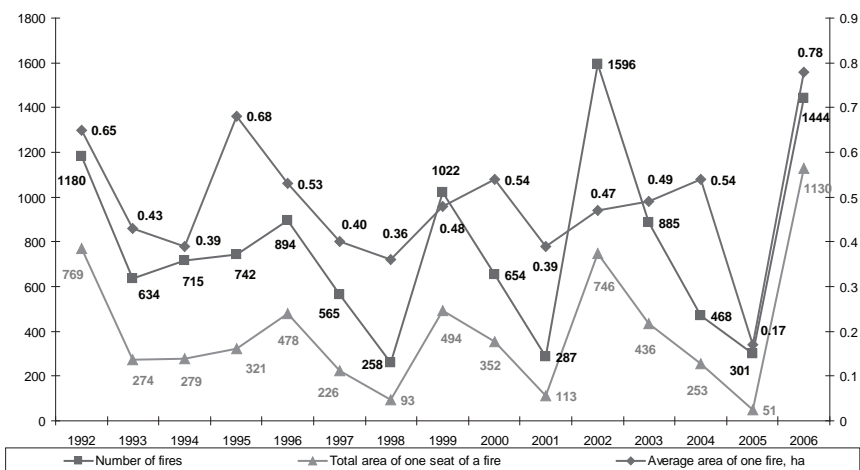
Organisation of forest protection against illegal harvesting

Implementation

- *In June 2003, a joint meeting was organized for the managers of the Directorate General of State Forests and Police Department devoted to the issue of coordinating activities aimed at exposing those guilty in forest theft;*
- *A joint decree no. V-345/1B-114 of June 17, 2003 was issued by the Chief Director of the Police Force of Lithuania and the Director General of the State Forests "Suppression of Law Violations Connected with Illegal Harvesting, Timber Procurement and Processing, as well as Poaching". According to it, heads of territorial police departments and managers of state forest enterprises are to prepare joint action plans for exposing cases of illegal harvesting, illegal transportation and processing of round timber, as well as ascertain the cases of poaching, exchange information about people advertising sales/purchase of forest, timber and game, at regular intervals to check up enterprises dealing with woodworking and carry out other proactive measures.*

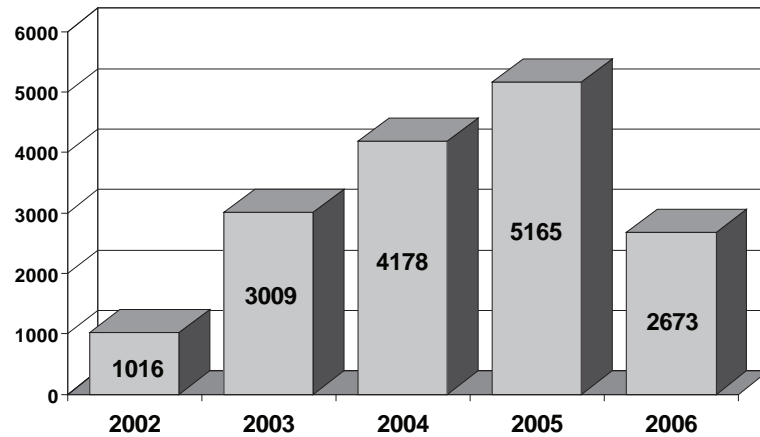
Other important functions:

Organisation of fire safety of forests

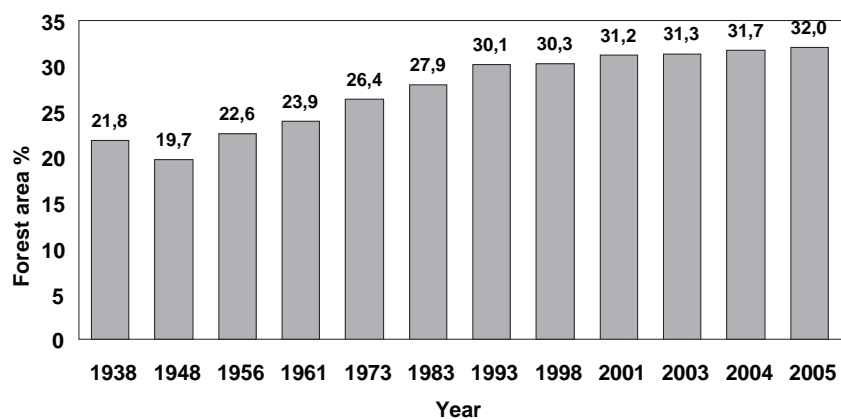


Other important functions

1000 LTL **Development and management of recreation sites**



Changes in the forest area of Lithuania in 1938-2005



Source: Ministry of Environment

Strategy of harvestings in state forests

- *To increase the volume of third party wood transportation. In 5 years, minimum 50% of transportation work are to be bought from private enterprises. To increase the amount of machinery in state forest enterprises.*
- *Minimum 50% of logging operations are to be done by contractors.*
- *Up to 50% of final fellings and 20% of thinnings can be done by harvesters.*
- *Long-distance transportation of timber shall be done by transportation companies.*

(from the Order of the General Director of the Directorate General of State Forests №1B-36, 03-05-2005)

Dynamics of forest area and number of employees in state forest enterprises

Indicator	1999	2000	2001	2002	2003	2004	2005
Total forest area*, 1000 ha	1573	1489	1426	1367	1315,7	1360,8	1330,0
of which state-owned	941	941	941	941	941,2	992,3	992,3
reserved for restoring property rights	632	548	485	426	374,5	368,5	337,7
Average number of employees	9067	7488	6786	6270	5898	5341	5392
of which state officers	3740	3304	3205	2994	2950	2865	2825
workers	5327	4184	3581	3276	2948	2476	2567
Number of ranger districts	1418	1378	1257	1220	1193	1161	1150
Average area of a ranger district	1,1	1,1	1,1	1,1	1,1	1,1	1,1

*Managed by state forest enterprises (without national parks).

THEME III

Management of state owned forests – state forest services

Chairman

Jari Parviainen
Finnish Forest Research Institute METLA



Presentations

Different models of public forests management in Europe
Ari Rautio, Head Auditor, Metsähallitus, Finland

Problems of forest management faced by the subjects of the Russian Federation
Larisa Orlova, Deputy Head, Department of Silviculture, Kostroma Region, Russia

Management of state owned forests in Poland
Tomasz Wójcik, Head of Department, General Directorate of the State Forests, Poland

Is profitable and efficient management of state forests possible?
Kristjan Tõnisson, Senior Consultant, Estonian State Forest Management Centre, Estonia

Management of state forests in Lithuania
Andrius Vancevicius, Head of Department, Directorate General of State Forests, Ministry of Environment, Lithuania

The reform process within the National Forest Administration ROMSILVA
Dragos Mihai, Head of International Relations, National Forest Administration, Romania

Management of state owned forests in Slovakia - Overview of a study tour by a Russian expert to a new EU member country
Natalia Krotova, Head of Department, Forest Agency of Arkhangelsk Region, Russia



Different Models of Public Forest Management in Europe

Ari Rautio
Head Auditor
Metsähallitus, Finland

1

Change in the environment of state forests

- More free time for outdoor activities
- Environmental awareness increased
- Cultural and aesthetical values more important
- Development of harvesting and IT-technologies
- Outsourcing of tasks in state sector
- Restitution and discussion of privatisation of state forests
- Increasing production of bio fuels
- Certification
- Change of operational environment of the forest industry
 - New pulp and paper industry investments are being made in Asia and South America and in the sawmilling industry in Russia and Central Europe
 - Production of forest products in Eastern Europe is growing and trade of forest products with Western Europe is increasing significantly



Management of state forests – to promote sustainable use of natural resources

Economic

- Permanent incomes for the state
- Employment
- Raw material for industry

Ecological

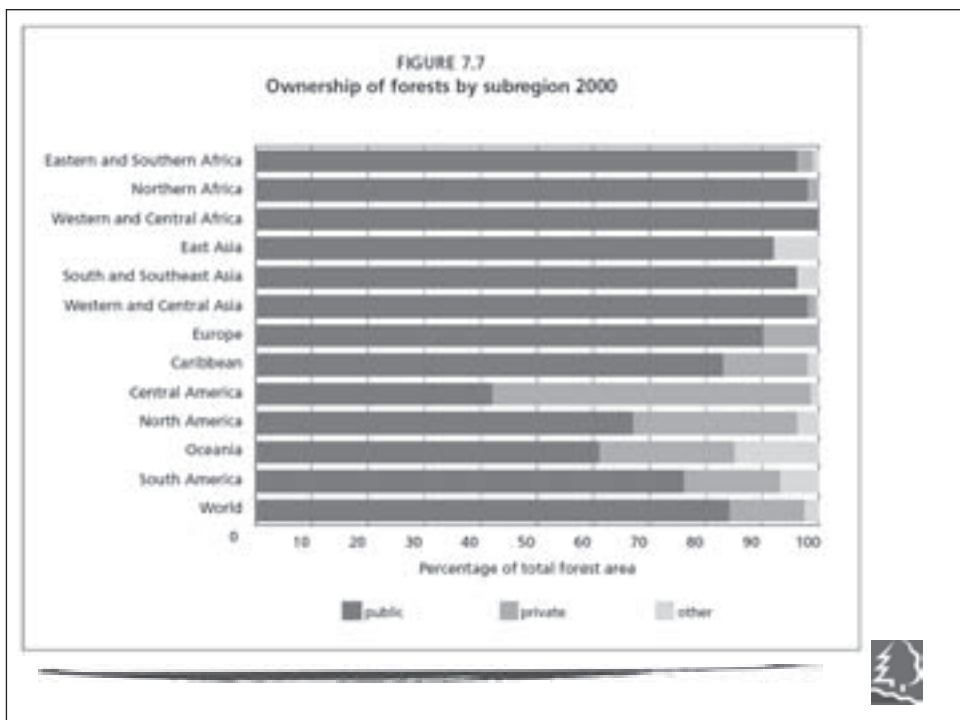
- Improve biodiversity in commercial forests
- Protection: national parks.....

Social

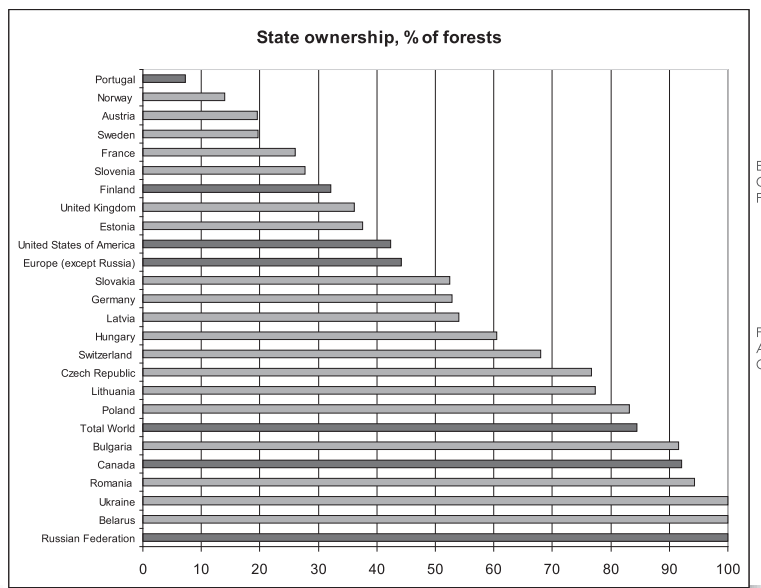
- Work and income for local people and contractors
- Recreation
- Multiple use of forests: game, berries, herbs...

Cultural

- Traditional use of forest: reindeer herding of Sami people in Lapland
- Protect ancient relicts and cultural sites through forestry



Global Forest Resources Assessment 2005



ECONOMIC
COMMISSION
FOR EUROPE



FOOD AND
AGRICULTURE
ORGANIZATION



The state forests in European countries

- A quarter of the world's forested area is found in Europe.
- 46 percent of Europe's land area is covered by forest.
- The majority of Europe's forests are located in Russia.
- In most West European countries the state forests are managed by an **autonomous state forest enterprise**.
- As the custodians and managers of natural resources in state-owned regions, Europe's state forest organisations bear a high level of responsibility.
- They ensure the sustainable management and protection of nature and guarantee that Europe's forests remain accessible.



Eastern Europe facing challenges in forest management

- While the rest of Europe is steadily progressing towards sustainable forest management, Eastern European countries are facing many challenges, following the **restitution** of forests from the State to their previous owners.
- The State has returned forests to former owners or their heirs; changes have been made in policy and legislation for greater private-sector involvement in the forestry sector; and forest institutions, notably **State forest services, are adapting to the market economy.**
- It is important for policymakers in these countries to **identify ways and means to assist private smallholdings with professional advice**, to enable them to take advantage of expanding markets while maintaining forest quality.



In Europe states are developing their forest organisations at a rapid pace

- Most European public forest services originated as part of the royal army that protected the nobility's hunting and land rights.
- In western Europe, there are many different organisational models.
- In Sweden, most of the forest management on state land has been entrusted to Sveaskog AB, a 100% state owned enterprise. While the administration of conservation areas is carried out by separate agencies. Significant land areas are also under the administration of the Swedish defence and real estate authorities.
- Germany's states have a general forest administration in which the same organisation is responsible for state forestry and the legal supervision of privately owned forests.



Forests in Finland - the most forest covered country in Europe

- Forests cover more than 70 per cent of the land area of Finland. Measured by the proportional share of forest land, Finland is the most forested country in Europe. A total of 20.3 million hectares are available for wood production, 61 per cent of this privately owned.

Department of Forestry of the Ministry of Agriculture and Forestry

- The Department of Forestry is responsible for forest policy and forestry issues in Finland.
- The Department of Forestry steers the work of the 13 Regional Forestry Centres, Forestry Development Centre Tapio, Finnish Forest Research Institute Metla and **Metsähallitus, a State enterprise which governs the state-owned forests.**
- the Finnish state has organised its forest administration in a way that has aroused international interest, concentrating the administration and management of all state forest land and waters under the state forest enterprise, **Metsähallitus.**



Metsähallitus -A unique enterprise

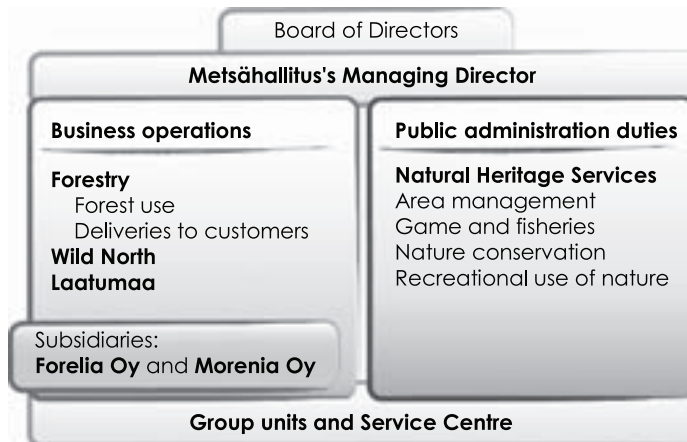
Metsähallitus provides natural resources sector services to a diverse customer base, from private individuals to major companies. Our operations are based on the knowledgeable and co-operative use of state land and water areas.



Metsähallitus is a state-owned enterprise that runs business activities while also fulfilling many public administration duties.



Organisation



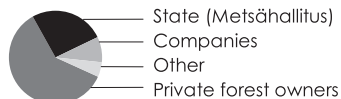
Metsähallitus operates primarily within the framework laid down by the Ministry of Agriculture and Forestry; Metsähallitus's nature conservation duties are guided by the Ministry of the Environment.



Metsähallitus's lands and waters

- Forest land in managed forests, 3.5 million ha
- Poorly productive and non-productive land, 1.5 million ha (excluded from forestry)
- Conservation areas, wilderness reserves and other areas, 4.0 million ha
- Water areas, 3.4 million ha
- public water areas
- In total 12.4 million ha

Ownership of forest land in Finland



Transboundary Co-operation

- protect Fennoscandian boreal nature in the vicinity of the Finnish border
- Russia, Estonia, Sweden and Norway
- network of protected areas on both sides of the national border
- backbone in the protection of boreal nature
- backbone in the protection of the Fennoscandian Green Belt (in Finland and Russia)
- EUROPARC's Basic Standards for Transfrontier Cooperation as a tool in TBC development



Trends from the time of the Tsar to the 21st century

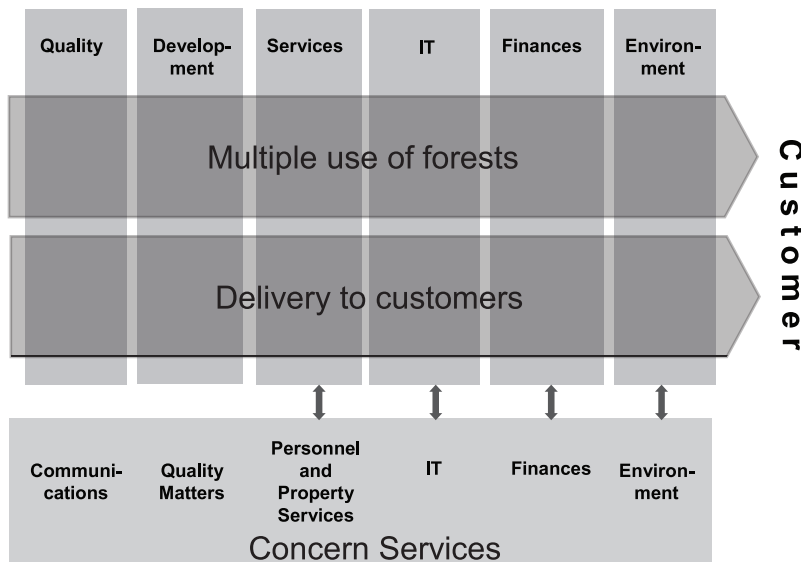
1859	Establishment of a permanent agency for forest management
late 1800s	Preventing the decimation of forests, controlled sale of wood
early 1900s	Nationalism: Protecting beautiful landscapes
1930s	Developing silviculture, regenerating felling areas
1945	Settlement lands from the state, work and funds from forests
1950s	Hiking gains popularity: campsites, trails
1960s	Time of intense forestry: ditching, mechanisation
1970s	Conservationism gains strength: nature conservation programmes
1990s	Highlighting environmental issues in forestry
1994	Metsähallitus is reorganised and becomes a state enterprise
2000s	Highlighting socially responsible operations
2006	Investing in profitability and cost effectiveness

Forestry – the primary business

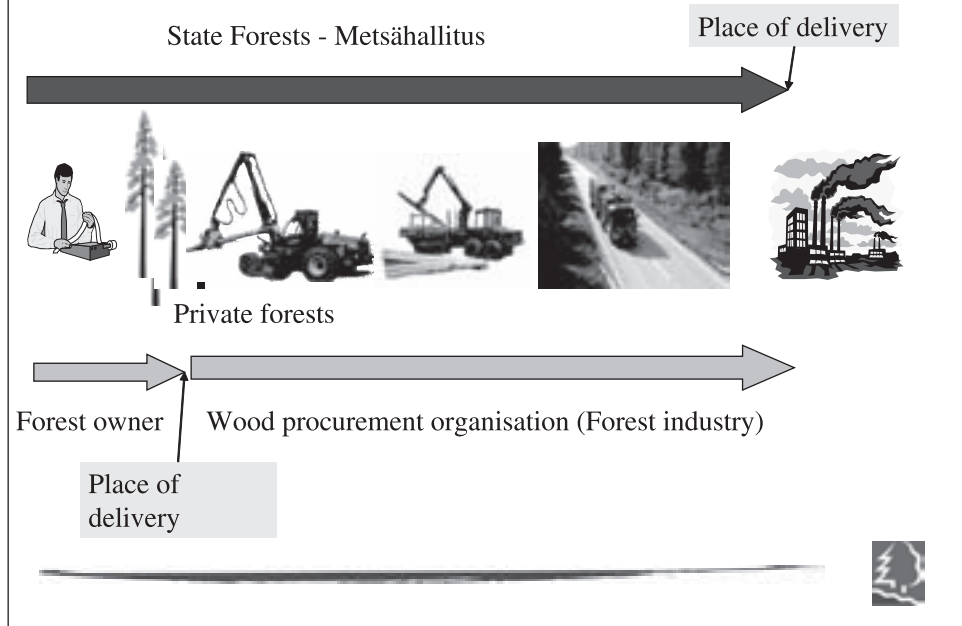
- Wood production and supplying wood to industry on a full-service basis.
- Customers consist of some one hundred sawmills and pulp and paper mills.
- Turnover approx. € 200 million, 85% of the Group's total turnover.
- The Forestry unit makes use of 38% of state lands
 - felling volume 4.7 million m³/a.
- Our special strength areas:
 - modern information systems
 - flexible deliveries
 - environmental expertise



Processes and Operations of Forestry



Timber Trade and Wood Supply Chain



The Group's diverse business operations

In addition to forestry, profits from natural resources are produced by:

- the sale and rental of holiday land plots, as well as forest real estate;
- diverse adventure and tourism services;
- the sale and processing of soil resources;
- production and sale of seeds and seedlings.



The state owns, we manage

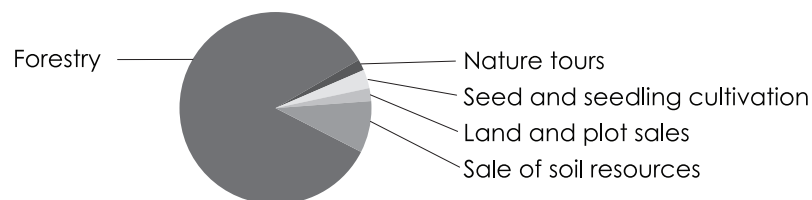
- Metsähallitus manages and utilises state-owned lands and waters in Finland.
- Annual profit requirements for Metsähallitus's business operations and contribution to state revenue (3% of the balance sheet value).
- No rent for the lands.
- No profit requirements for conservation areas.



Key business figures 2005

- | | |
|---------------------------------|-----------------|
| • Turnover | EUR 229 million |
| • Results | EUR 52 million |
| • Contribution to state revenue | EUR 51 million |
| • Person-years | 1,335 |

Distribution of turnover by business sector



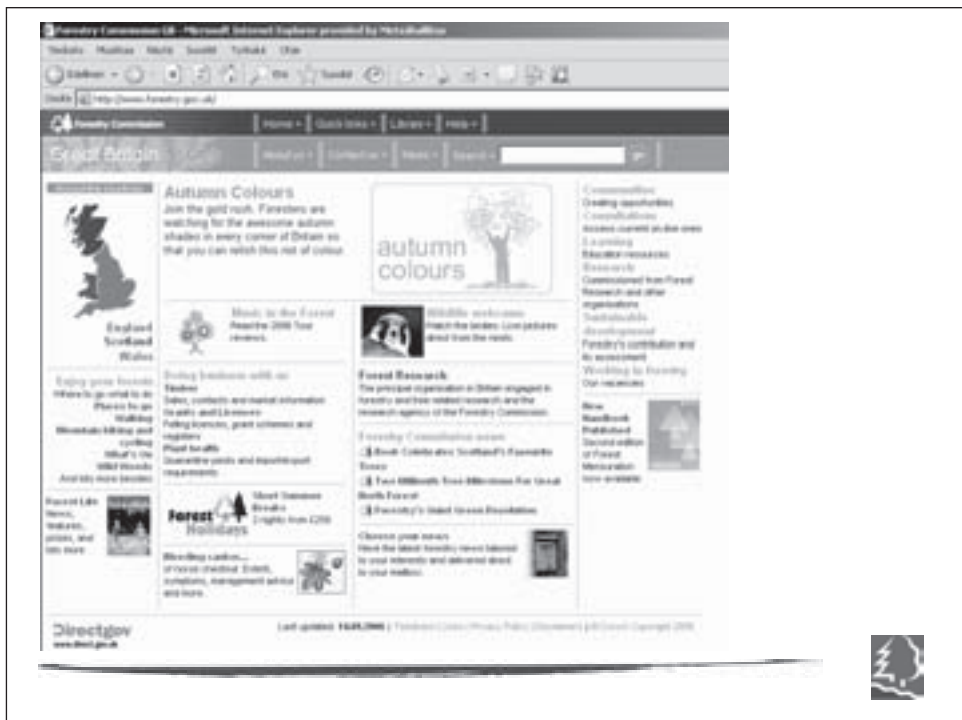
Our recognised trademarks



Estonia



- RMK – a state company, unique in structure in Estonia.
- Objective of the state company, on one hand, is to bring revenue to the state budget by harvesting and selling timber.
- And on the other hand, RMK has tasks that do not bring direct economic profit, but benefit all citizens – protection of forests, gentle methods of forest management, maintenance of recreation areas.



Great Britain: Forestry Commissions

- **Forestry Commission England, Forestry Commission Scotland and Forestry Commission Wales** report directly to their appropriate Minister, providing advice on policy and **implementing that policy within the relevant country** (The Secretary of State for the Environment, Food and Rural Affairs).
- **Mission of Forestry Commission is to protect and expand Britain's forests and woodlands and increase their value to society and the environment.**
- **Each of the countries has its own strategy and mission**, and delivers the forestry policy of each country through specific objectives drawn from the country strategies.
- **Public forests, woodlands and other forest lands are managed by Forest Enterprise agencies on behalf of the Forestry Commission in that country.**

How can state forestry fulfil expectations, its tasks and survive in the future?

- Customer oriented attitude: state, citizens, wood buyers....
- Outsourcing others than core operations: contracting, networking, results through co-operation
- Flexible organization: possibility to make own decisions developing activities
- Use of new technology: combination of IT, GIS, GPS, www
- Participation: citizens, NGO's and other stakeholders
- Profitable, cost efficient business activities
- Interactive result management system from ministry to personal level
- Employee well-being -> commitment to work
- Operations based on up-to-date research findings and precise geographical information
- Responsible management and use of natural resources



Process of changing roles and relationships of public forest resource management

- forest and natural resource agencies to shift their orientation from:
 - Protective conservation to... collaborative conservation;
 - Patronistic bureaucracies to... partnership organizations;
 - Patriarchal, line staff tiers to... open, adaptive, interdisciplinary teams;
 - Linear-thinking specialists to... synergistic integrators;
 - Output-oriented managers to... social value managers and stewards;
 - Technical functionalists to... ecosystem-based management facilitators

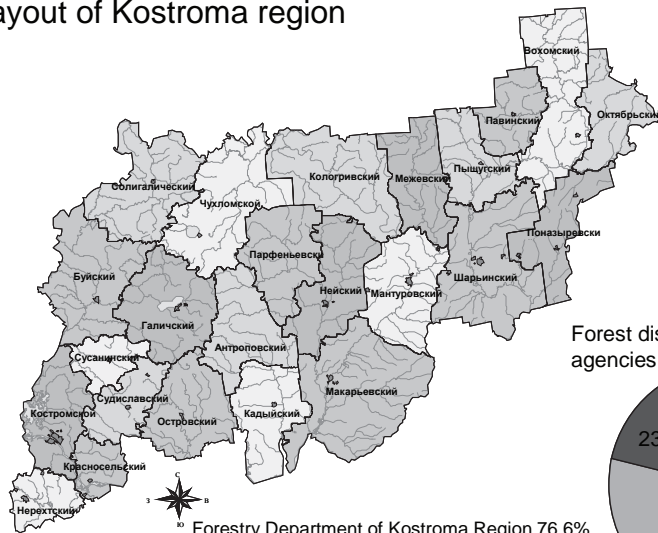




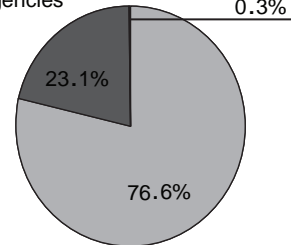
Problems of Forest Management Faced by the Subjects of the Russian Federation

Larisa Orlova
Deputy Head
Department of Silviculture
Kostroma Region, Russia

Layout of Kostroma region

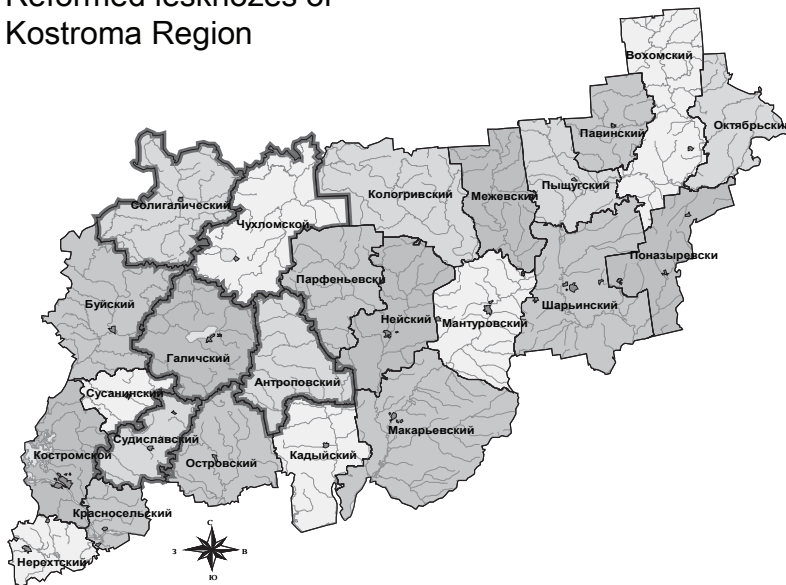


Forest distribution by agencies



Forestry Department of Kostroma Region 76.6%
Kostromaobles 23.1%
Other 0.3%

Reformed leskhozoes of Kostroma Region



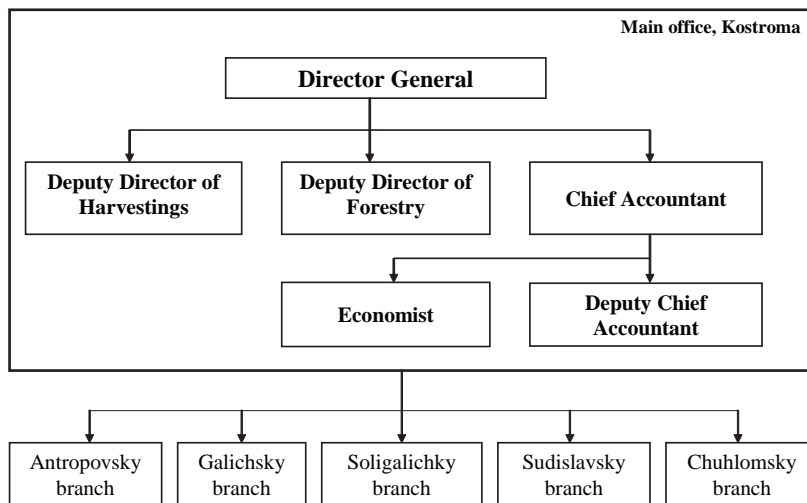
Staff of managing leskhozoes

Position	Antropovsky leskhoz	Galichsky leskhoz	Sudislavsky leskhoz	Chulomsky leskhoz	Soligalichky leskhoz
Director	1	1	1	1	1
Chief Forester – Head of Dept.	1	1	1	1	1
Engineer	1	1	1	1	1
Engineer	1	1	1	1	1
Forester	6	7	4	10	6
Assistant Forester	3	4	3	4	3
Foreman	5	7	4	10	5
Chief Accountant	1	1	1	1	1
Accountant	1	-	1	-	1
Economist	1	1	1	1	1
Workers	5	5	4	7	5
Total	26	29	22	37	26

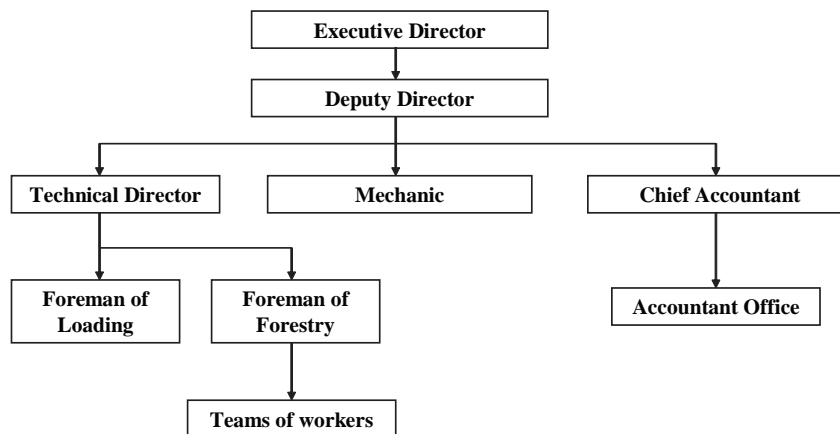
225 persons work at the state company "Kostromahozles", of which in:	
Main office	7
Antropovsky branch	33
Galichsky branch	41
Soligalichsky branch	48
Sudislavsky branch	39
Chuhlomsky branch	57

Qualification of personnel of the main office of the state company "Kostromahozles"			
Position	Education	Specialization	Work experience
Acting Director General	Higher technical	Engineer-Technologist (Faculty of Forest Mechanics)	2003 – 2006 Director General of OOO «Foria-Kostroma» 1995-2003 Director General of OOO «Lespromservice»
Chief Accountant	Higher economic	Accounting and auditing	10 years of work as an accountant
Deputy Chief Accountant	Higher economic	Accounting and auditing	7 years of work as an accountant
Economist	Higher economic	Financing and credit	2 years of work as an economist

Organisational and management structure of the state company "Kostomahozles"



**Organisational and management structure of
the branches of "Kostomahozles"**



Forestry operations executed in 2006

Operation	Volume	Operation	Volume
Collection of cones, kg	632	Forest protection operations, ha	431
Lifting of planting material, 1,000 pieces	1446	Planting of forest, ha	335
Growing of seedlings, ha	5,2	Tending of planted seedling stands, ha	3210
Sowing in nurseries, ha	6	Weedfree fallow in nurseries, ha	6
Tending of seedlings, ha	8,4	Spurge in nurseries, ha	3
Adding up seedlings, ha	140	Soil preparation, ha	340
Assistance to natural regeneration, ha	1134.5	Organic fertilization, ha	2.7
Pricking out, 1,000 pieces	234	Planting of Christmas trees, 1,000 pieces	10
Facilitation of recreation sites, units	245	Development of green zones, ha	4809
Scarified strips, km	566	Scarified strip management, km	681
Fire safety roads, km	23	Improvement of forest roads, km	9
Bridge construction, units	1	Bridge repairs, units	1
Putting up signs, units	5	Allocation of thinnings, ha	775
Thinning in young stands, ha	1921	Clearing of forest compartment lines, km	163
Maintenance of chemical stations for fire safety	5		

Provided for lease for "Kostromahozles"

No	Name of leskhoz	Total area, ha	Annual allowable timber sales, 1000 m3	
			Total	of which conifers
1	Antropovsky	5010.0	16.6	8.6
2	Galichsky	3039.0	12.4	3.8
3	Sudislavsky	5247.0	9.1	3.3
4	Soligalichsky	7834.0	13.6	4.0
5	Chuhlomsky	9883.0	20.9	5.8
	Total	31013.0	72.6	25.5

Provided for lease in December 2006

№	Name of leskhoz	Total area, ha	Annual allowable timber sales, 1000 m3	
			Total	of which conifers
1	Buisky	7433.0	21.6	7.4
2	Vohomsky	5980.0	12.0	5.6
3	Ivanovsky	18896.0	11.7	4.8
4	Kadyisky	8838.0	21.2	5.0
5	Makaryevsky	8089.0	16.1	7.6
6	Manturovsky	26953.0	22.3	9.9
7	Mezhevsky	12672.0	25.9	5.5
8	Neisky	9478.0	22.4	11.2
9	Oktyabrsky	5133.0	12.7	7.9
10	Ostrovsky	3369.0	13.6	2.0
11	Pavinsky	4266.0	12.0	2.9
12	Parfenevsky	7617.0	10.3	5.0
13	Ponazyrevsky	6352.0	19.0	5.0
14	Pyshugsky	11771.0	30.6	11.3
15	Sudislavsky	4752.0	9.4	3.5
16	Chernoluhovsky	17732.0	5.3	1.1
17	Sharinsky	8438.0	21.6	6.2
	Total	167769.0	287.7	101.9



Management of State Owned Forests in Poland

Tomasz Wójcik
 Head of Department
 General Directorate of the State Forests, Poland

Forest cover in Poland

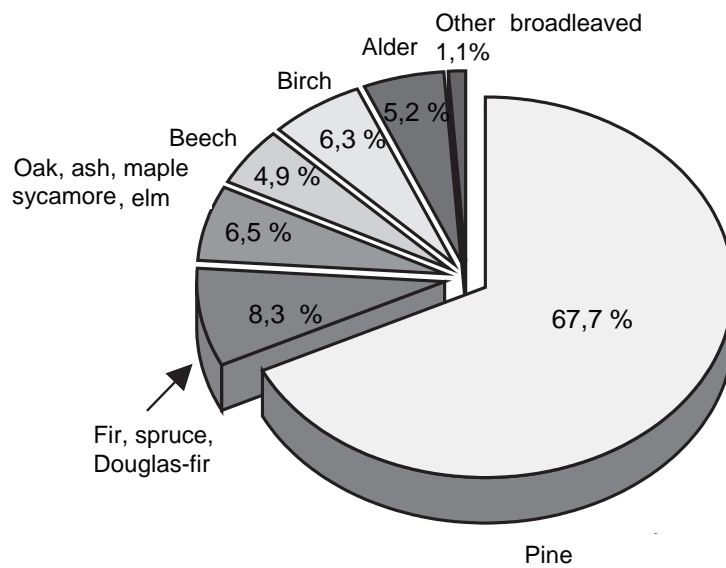
**9.0 Mio. ha, 28.8%,
 0.24 ha/capita**

**Afforestation program:
 from 20.8% in 1945
 to 30% in 2020**

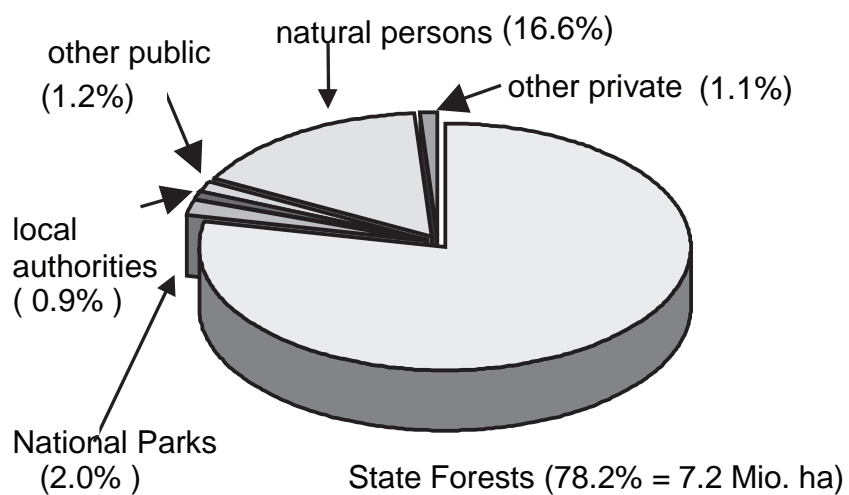
**Water retention
 program**



Tree species



Forest ownership structure



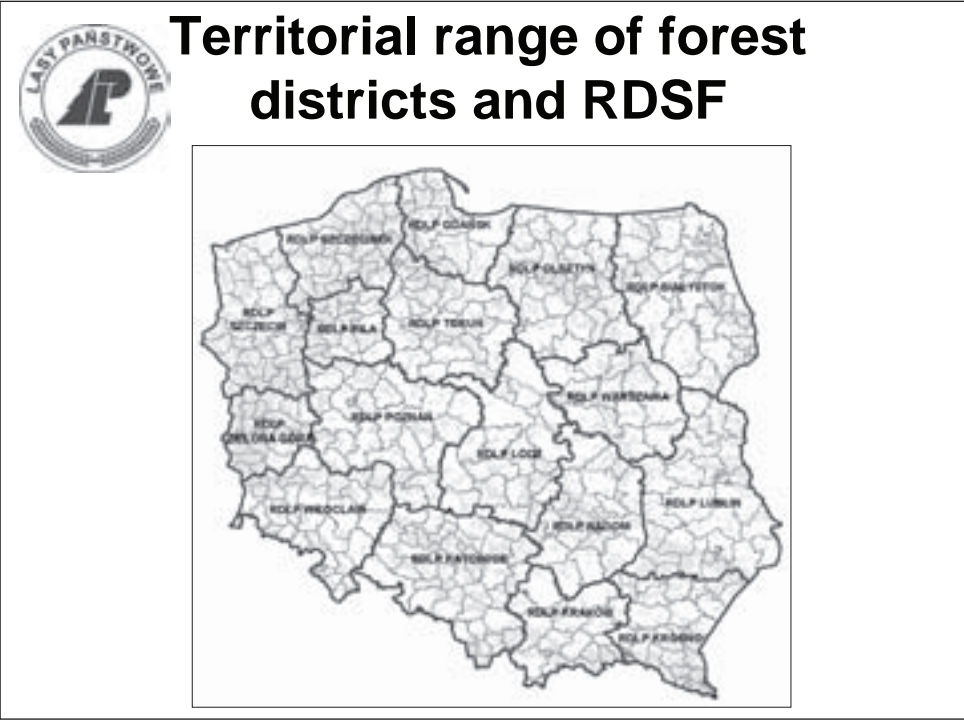
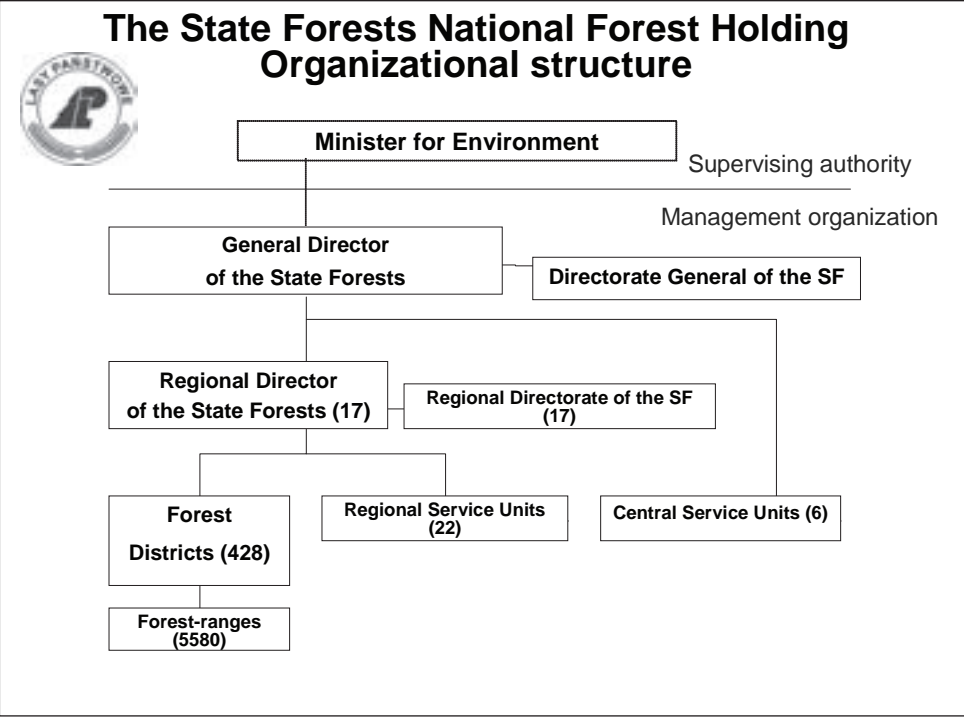
Forest legislation

Forests Act of September 28, 1991 amended in 1997

- **Ordinances of the Minister for Environment**
- Marketing of forest reproductive material Act**
- Nature conservation Act**
- Hunting Act**
- Act on NATURA 2000*

Forests Act of September 28, 1991 amended in 1997

- **Defines:**
 - **goals of sustainable, multifunctional forest management**
 - **obligations of forest owners**
 - **forest management plans**
 - **State Forests National Forest Holding**
 - **public access to the forests**





State Forests Basic rules

- **Financial independence from the State budget**
- **Profitability**
- **No profit maximization**
- **Forest tax instead of corporate tax; other taxes as private law companies**
- **Forest Fund**
- **Stabilization Fund**
- **Internal audit and forest pest monitoring services**



State Forests Basic rules

- **Authorization to perform all forest operations including roundwood sales**
- **10 year forest management plan as a base for operational planning**
- **Outsourcing of services**
- **Forest law infringement prevention and control**
- **Forest fire monitoring, prevention and early control**
- **Information system based on modern IT**

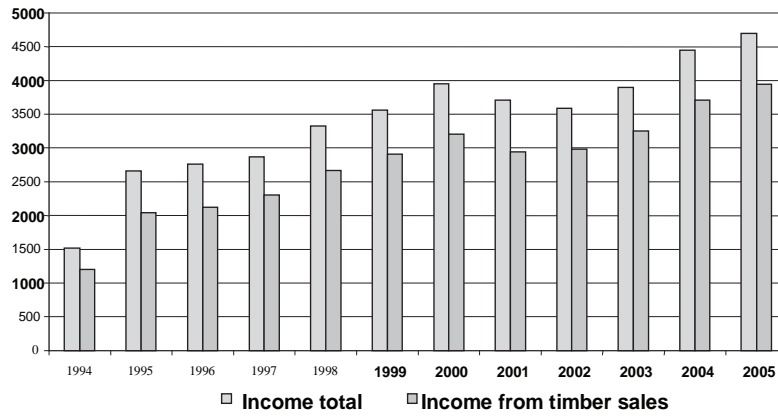


State Forests Income structure

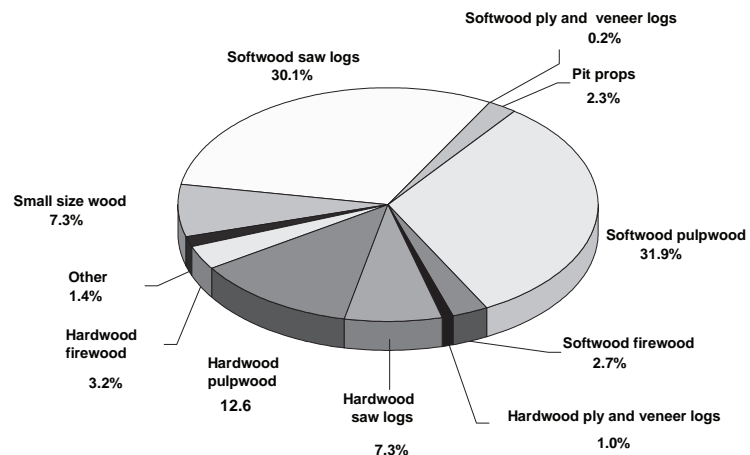
(4 700 Mio. PLN in 2005)

Mio. PLN

1 Euro=3.8 PLN



State Forests Wood assortments structure

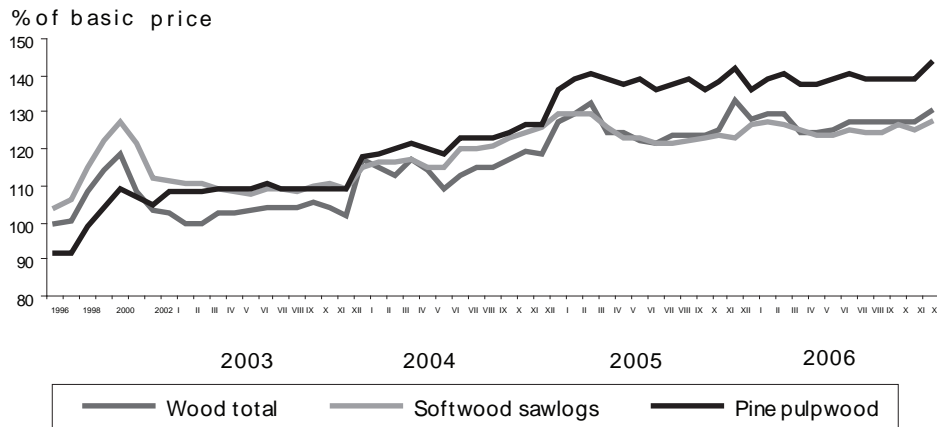


Internet wood sales
system

**30.4 Mio. m³
in 2005**



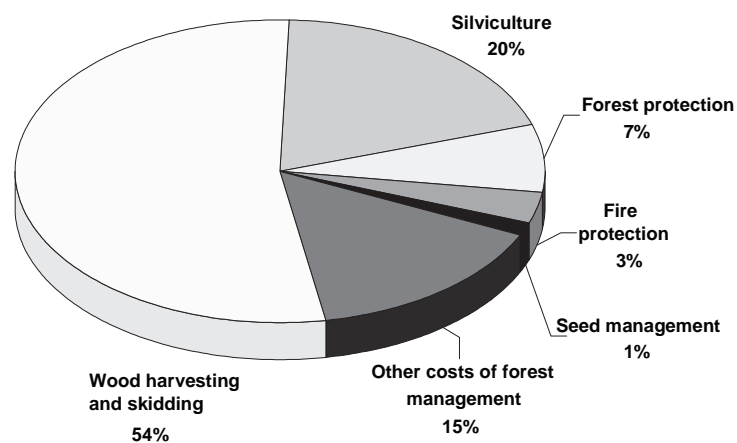
Wood prices in Poland 1995 = 100%



2006: Wood total : 38 Euro/m³
Softwood sawlogs : 50 Euro/m³



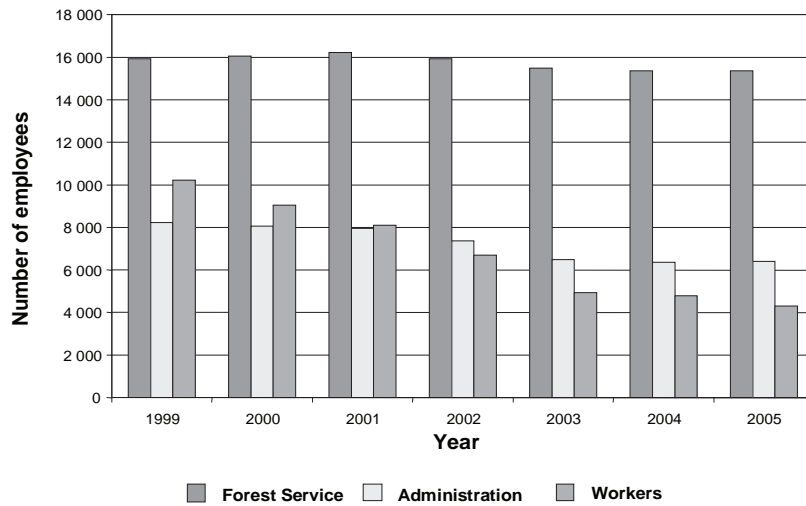
State Forests Basic cost structure (2 400 Mio. PLN in 2005)



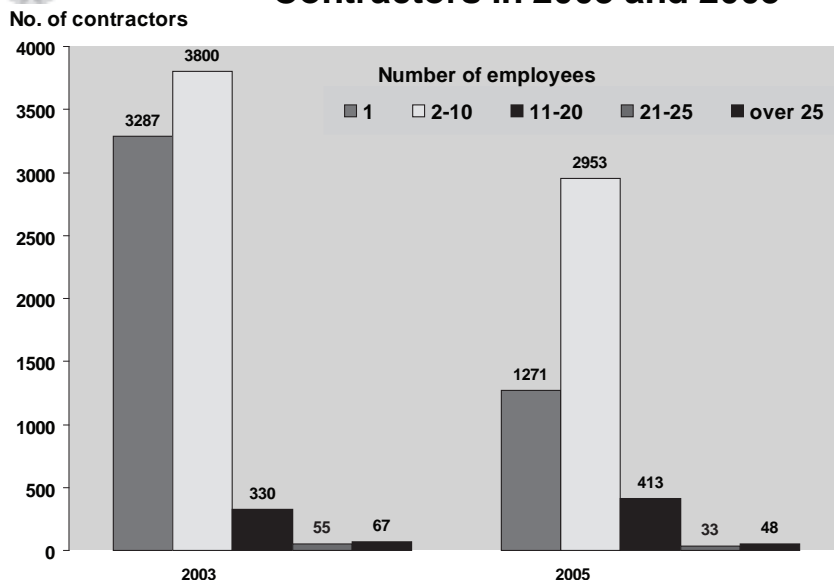


State Forests Staff

From 130 000 in 1990
To 26 000 in 2005

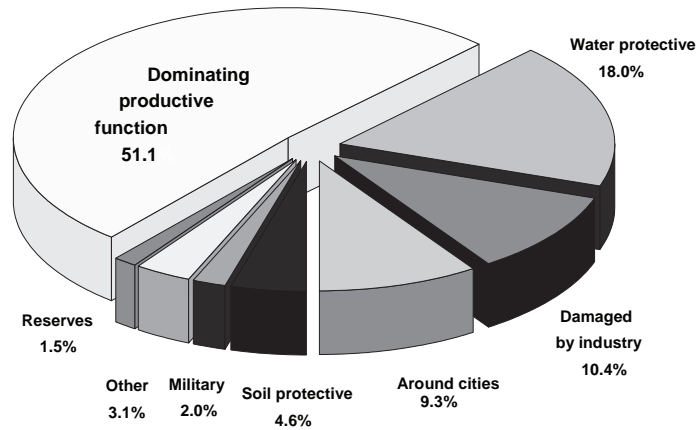


Contractors in 2003 and 2005





State Forests Forest functions



State Forests Biodiversity conservation

- 1182 nature reserves (106 302 ha)
- 10 144 nature monuments
- 26 681 ha of "ecological sites"
- 2 879 bird protective zones (179 240 ha)
- Nature conservation plans for forest districts
- NATURA 2000



Thank you for your attention

t.wojcik@lasy.gov.pl

www.lasy.gov.pl



Is Profitable and Efficient Management of State Forests Possible?

Kristjan Tõnisson
Senior Consultant
Estonian State Forest Management Centre

1

KEY FIGURES – ESTONIAN STATE FOREST MANAGEMENT CENTRE in 2005

2

- Area of state forests – 1 083 000 ha
- Number of staff – 1 200
- Total felling – 2 276 000 m³
- Turnover – 71 million EUR
- Operating profit – 8,7 million EUR
- Investments – 8,5 million EUR
- Revenue to the state budget – 11,4 million EUR



- Situation in early 1990's
- Reasons for Change
- Forest policy development (1995-1999)
- Institutional development
- Indicators of efficiency
- Current situation - benchmarking
- Conclusions



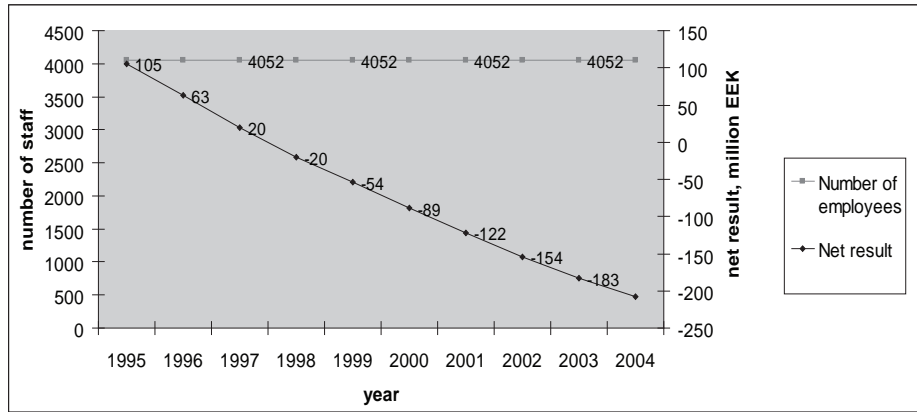
SITUATION IN EARLY 1990'S

Public sector

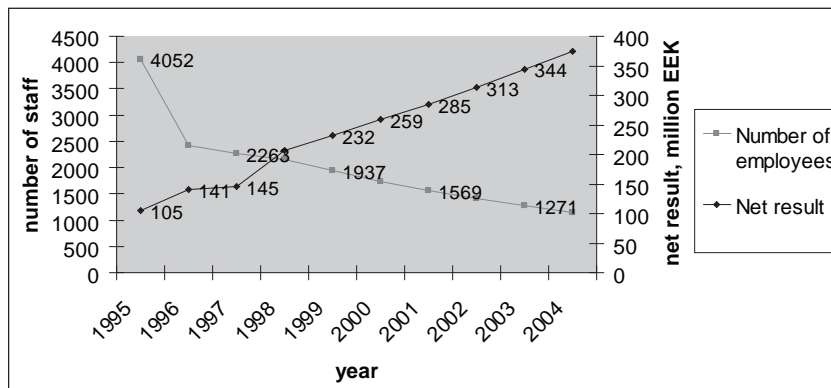


Private sector





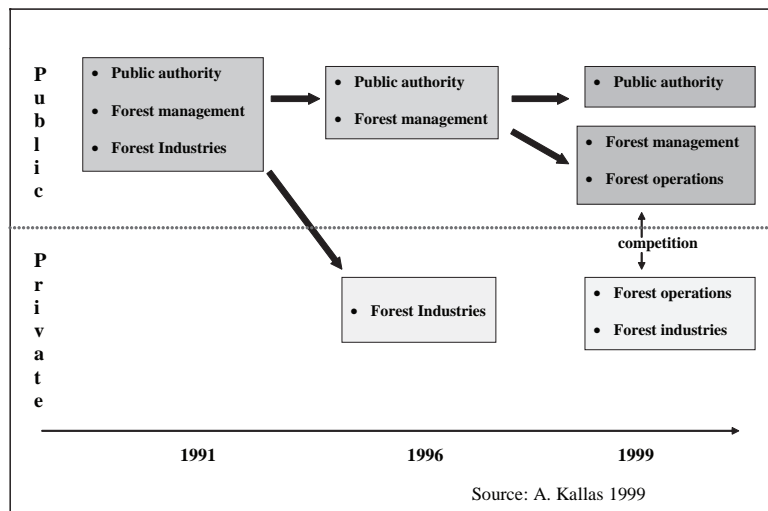
Source: A. Kallas 1999



Source: A. Kallas 1999

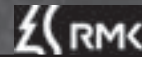
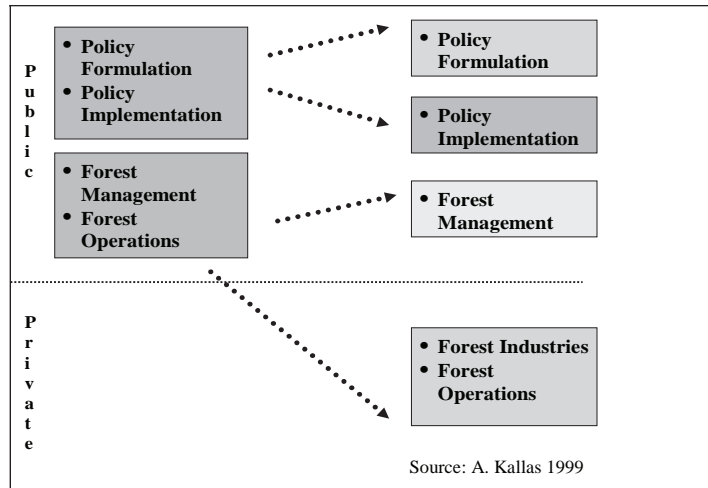


- 1995 Forestry Development Program
- 1997 National Forest Policy
keywords: Efficiency and Sustainability;
Separation of Management and Supervision
- 1997 Policy Implementation Plan (- 2001)
- 1999 New Forestry Act
- 1999 Restructuring of Public Institutions
- 2001 Development Strategy (- 2010)



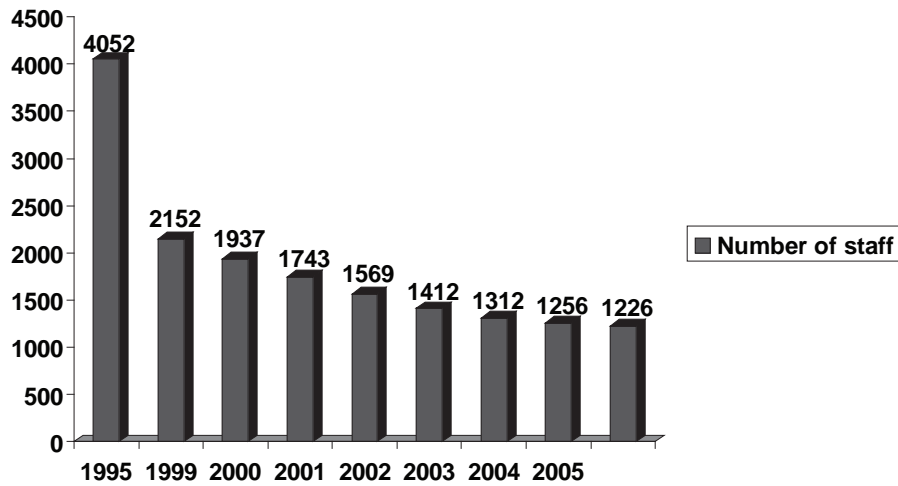
INSTITUTIONAL DEVELOPMENT II

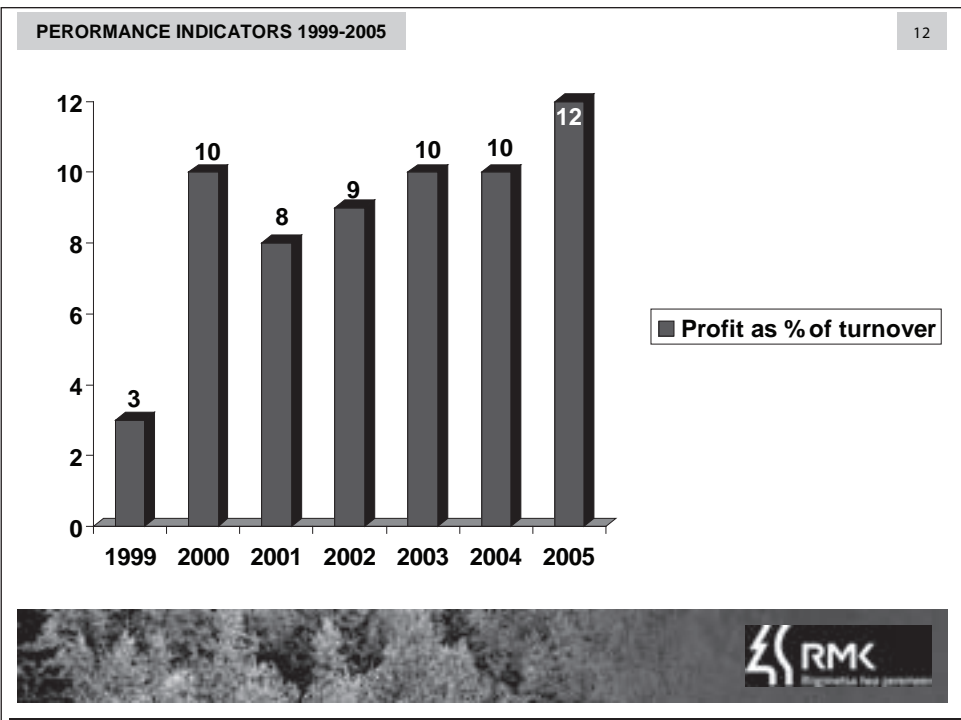
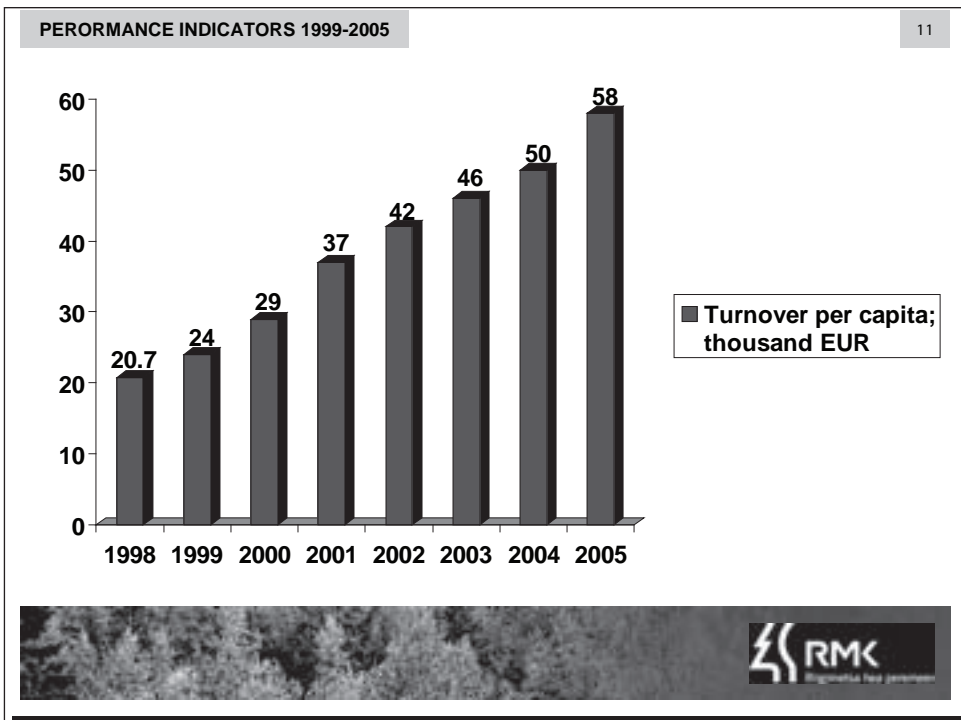
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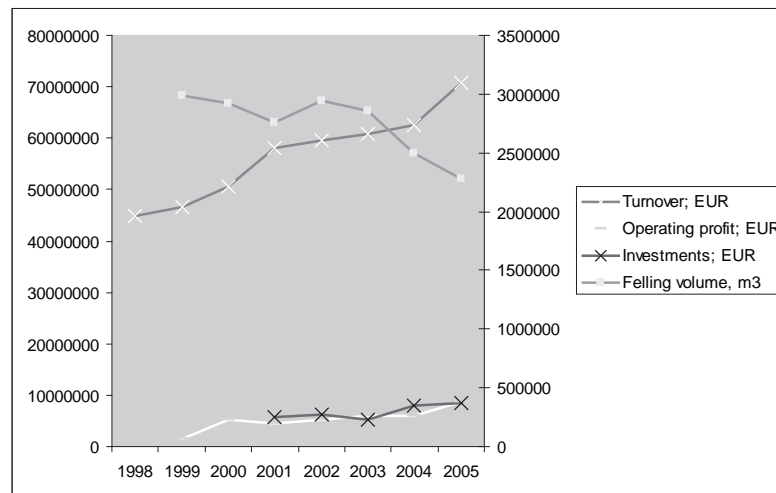


WORKFORCE 1995-2005

10







■ **STRENGTHS:**

- Profitability of state forestry
- Lower than average cost of timber management in terms of EUR/ha
- Low cost of logging, wood extraction and on-road transport
- Low cost of seedlings

■ **WEAKNESSES:**

- Low industrial labour productivity
- Too high share of administrative staff in total labour
- High cost of administration per m³ harvested
- Low mechanization in final felling and thinning

Based on analysis by SavcorIndufor © 2007



- Efficient management of state forests is possible
- It is important to create supporting policy framework and development targets for state forest management
- Finding balance between commercial (marketable) and societal (non-marketable) functions is a matter of political decision
- Benchmarking allows performance comparison between different organisations with similar tasks and it is a useful tool for making development decisions





Management of State Forests in Lithuania

Andrius Vancevicius
Head of Department
Directorate General of State Forests
Ministry of Environment, Lithuania

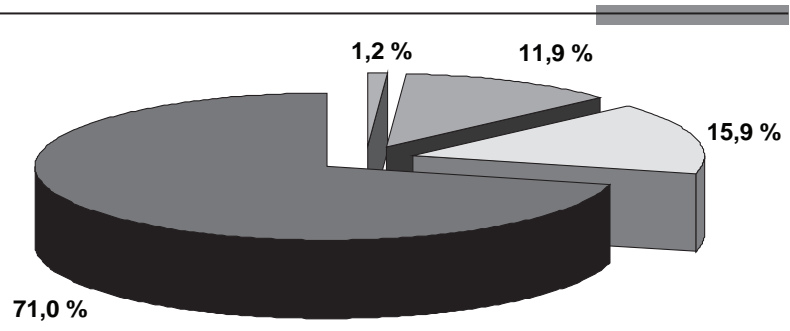
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Directorate General of State Forests



Directorate General of State Forests

Forest land distribution by forest groups

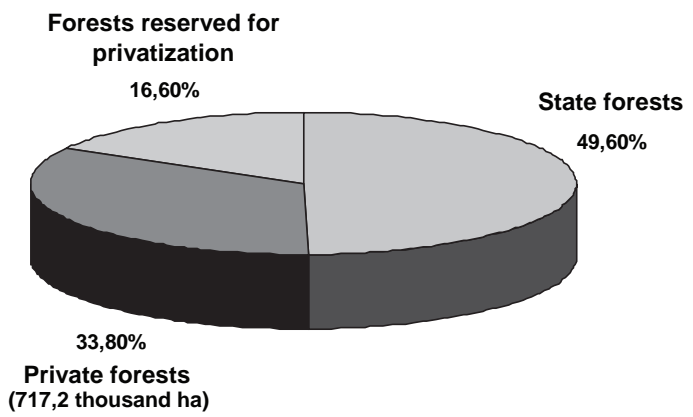


- I reserves
- II special designation forests
- III protection forests
- IV commercial forests

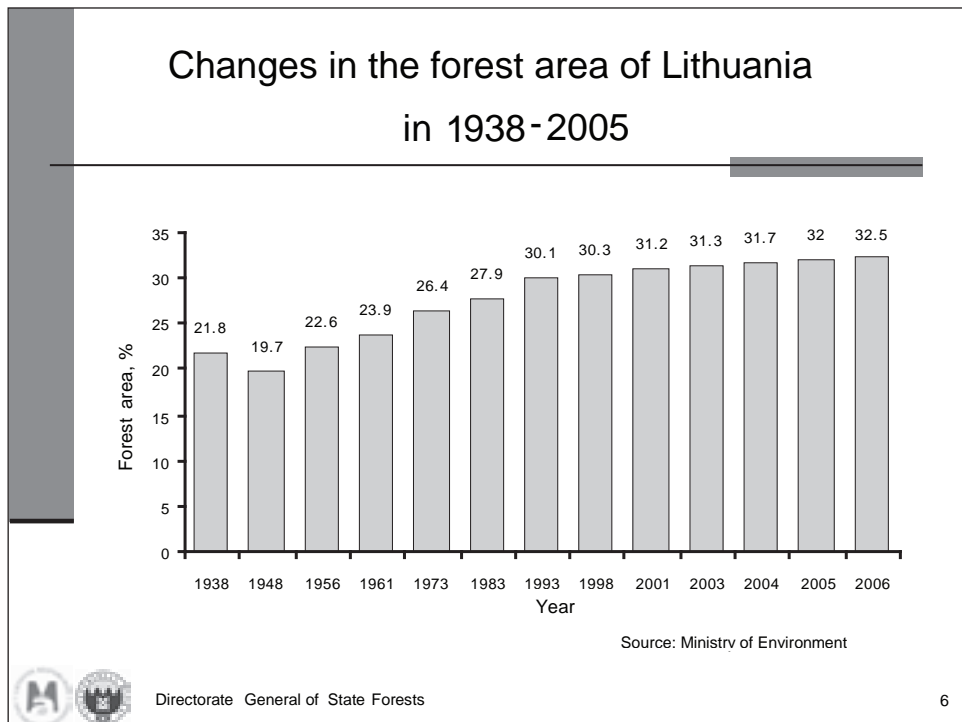
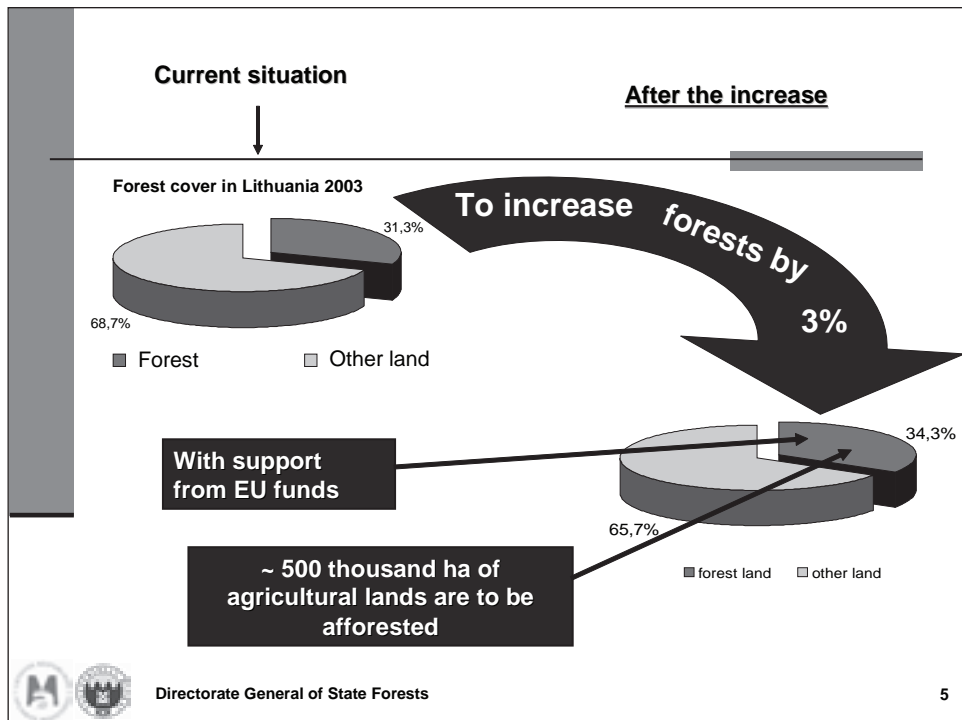


Directorate General of State Forests

FORESTS BY TYPES OF OWNERSHIP 01.01.2006



Directorate General of State Forests



Development of a comprehensive system of forestry operations in state forests with the aim to balance their economic, environmental and social functions; agreement on location and harvestings of exploitable forests; agreement on location and implementation of "Natura 2000" projects

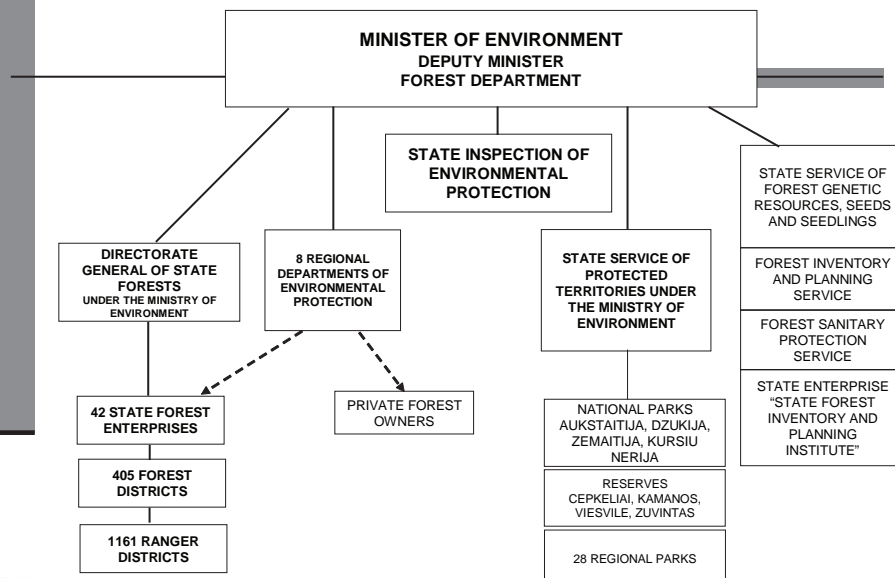
Certification of State forests



Directorate General of State Forests

7

Structure



Directorate General of State Forests

8

DIRECTORATE GENERAL OF STATE FORESTS UNDER THE MINISTRY OF ENVIRONMENT:

1. Enjoys the rights and duties of a founder of state forest enterprises and coordinates their activities;
2. Sets compulsory norms on forest regeneration, forest protection and forest inventory for state forest enterprises;
3. Facilitates general state fire safety measures and sanitary system of forest protection;
4. Facilitates and coordinates introduction of advanced technologies in forest regeneration, forest protection, and forest inventory.



Directorate General of State Forests

9

Regional Environmental Protection Departments:

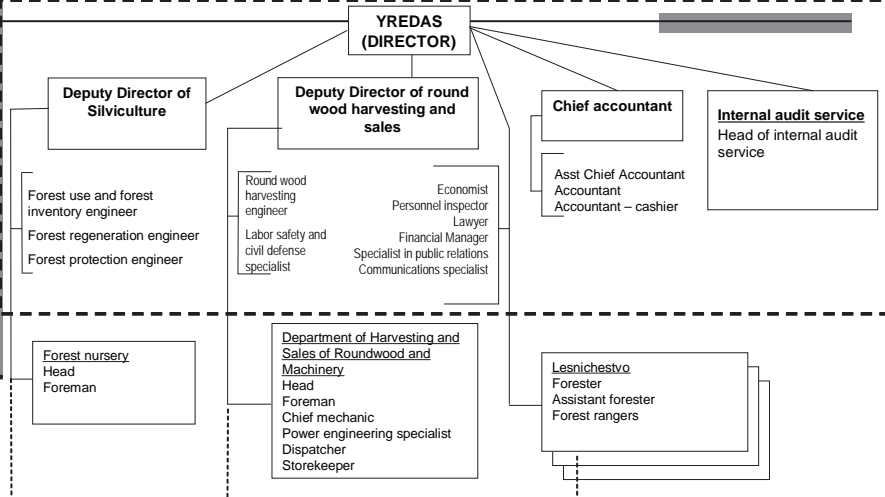
1. Control the implementation of the Forest Law and execute state control over all forests of the country monitoring the condition of forests, forest regeneration, forest use and forest protection;
2. Provide logging permits;
3. Control the quality of forest inventory and planning;
4. Consult private forest owners on the issues of forest use, forest regeneration, management and protection.



Directorate General of State Forests

10

STRUCTURE OF A STATE FOREST ENTERPRISE (UREDIA)

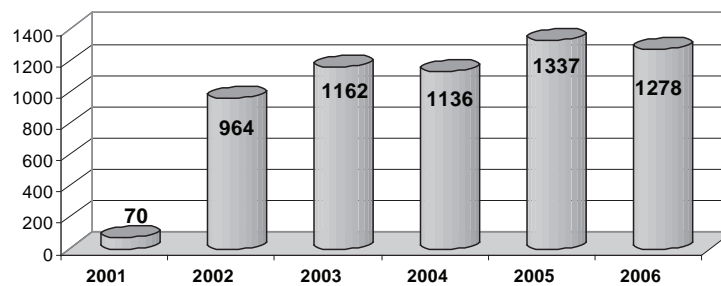


Directorate General of State Forests

11

Increasing forest land area in Lithuania by afforesting in minimum 1000 ha of land from the Fund of free state land transferred to state forest enterprises

Afforestation of the land provided to state forest enterprises from the Fund of free state land, ha

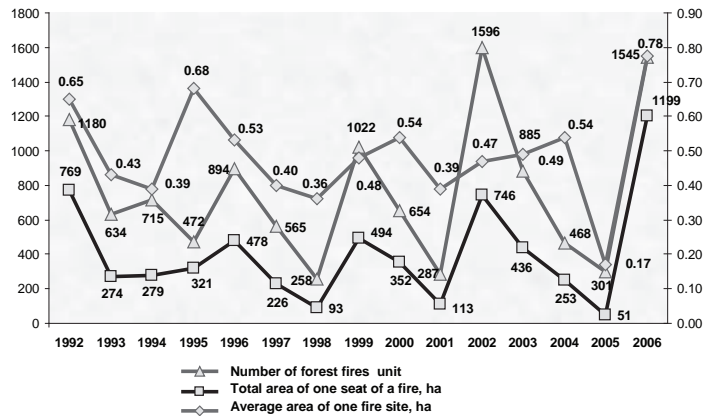


Directorate General of State Forests

12

Fire safety in forests

Forest fires in 1992-2006

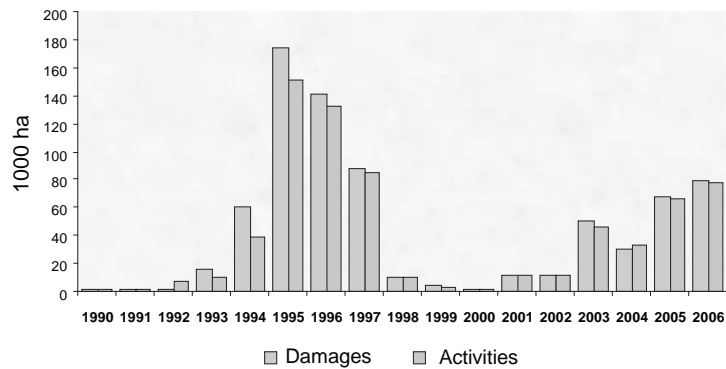


Directorate General of State Forests

13

Sanitary protection of forests

Damages caused by bark beetles and activities implemented in 1999 - 2006



Directorate General of State Forests

14

Organization of forest protection against illegal harvesting

Implementation

- In June 2003, a joint meeting was organized for the managers of the Directorate General of State Forests and Police Department devoted to the issue of coordinating activities aimed at exposing those guilty in forest theft;
- A joint decree no. V-345/1B-114 of June 17, 2003 was issued by the Chief Director of the Police Force of Lithuania and the Director General of the State Forests "Suppression of Law Violations Connected with Illegal Harvesting, Timber Supplies, its Processing as well as Poaching". According to it, heads of territorial police departments and managers of state forest enterprises are to prepare joint action plans for exposing the cases of illegal harvesting, illegal transportation and processing of round timber, as well as ascertain the cases of poaching, exchange information about people advertising sales/purchase of forest, timber and game, at regular intervals to check up enterprises dealing with woodworking and carry out other proactive measures.

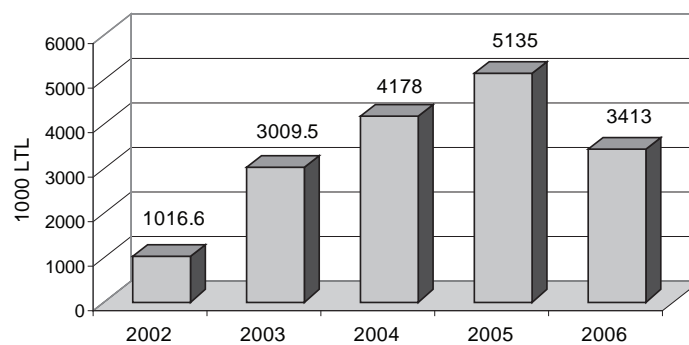


Directorate General of State Forests

15

Other important functions

Development and maintenance of recreation sites

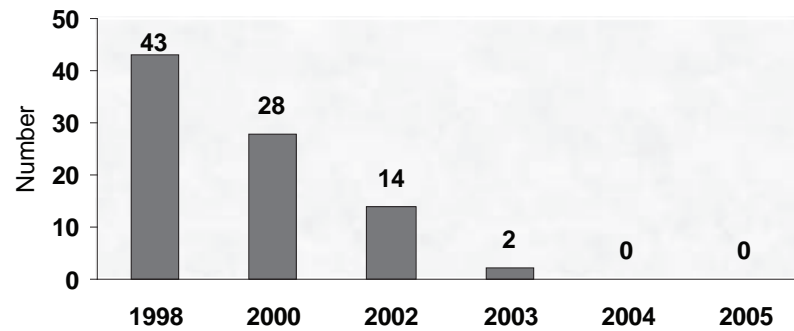


Directorate General of State Forests

16

Reduction of timber processing facilities

Changes in the number of mills dealing with timber processing, 1998–2005



Upper landings made redundant in 2002.



Directorate General of State Forests

17

Dynamics in forest area development and number of state forest enterprise employees

Indicators	2000	2001	2002	2003	2004	2005	2006
Total forest area, 1000 ha *	1489	1426	1367	1315,7	1360,8	1330,0	-
of which state forests	941	941	941	941,2	992,3	992,3	1050,3
reserved for restitution	548	485	426	374,5	368,5	337,7	-
Average number of employees	7488	6786	6270	5898	5341	5211	4912
of which state officials	3304	3205	2994	2950	2865	2793	2707
workers	4184	3581	3276	2948	2476	2418	2205
Number of ranger districts	1378	1257	1220	1193	1161	1142	1001
Average area of a ranger district	1,1	1,1	1,1	1,1	1,1	1,1	-

* Managed by state forest enterprises (without national parks)

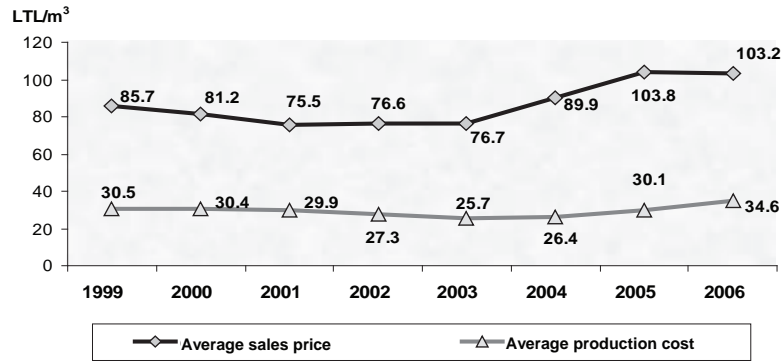


Directorate General of State Forests

18

State forests of Lithuania

Average sales price and production cost of 1 m³ of roundwood in 1999-2006

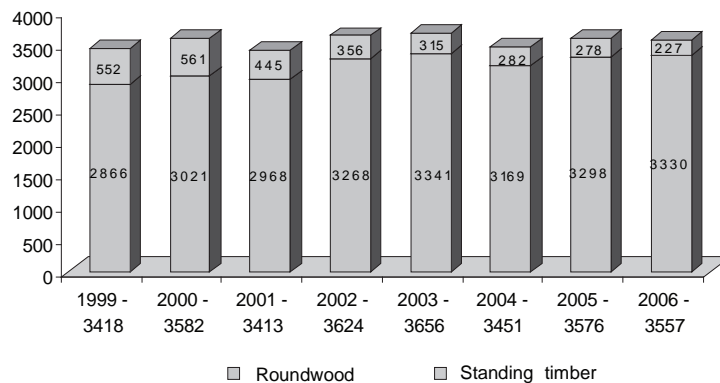


Directorate General of State Forests

19

State forests of Lithuania

Standing timber and roundwood sales, thousand m³ (excluding timber used for processing)

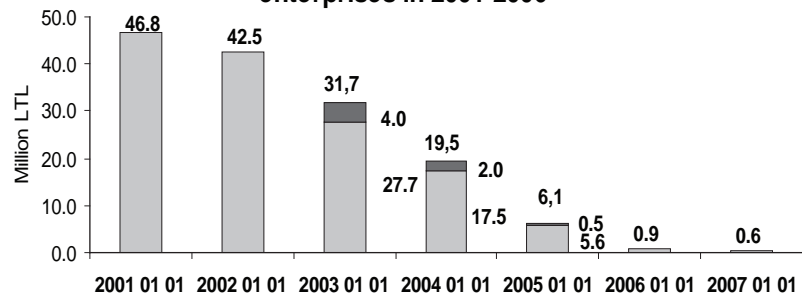


Directorate General of State Forests

20

State forests of Lithuania

Dynamics of debts of timber buyers to state forest enterprises in 2001-2006



2001/01/01-2002/01/01 outstanding debts are given without default interest.
2003/01/01 outstanding debts are given with default interest, LP SK 6.73 Art.

■ Default interest

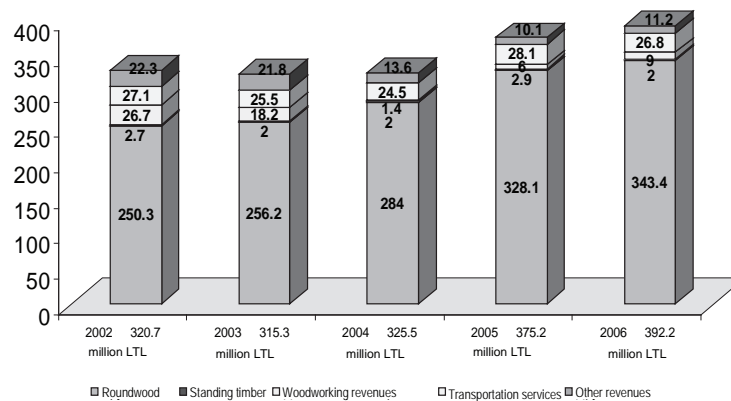


Directorate General of State Forests

21

State forests of Lithuania

Revenue dynamics and structure (million LTL)



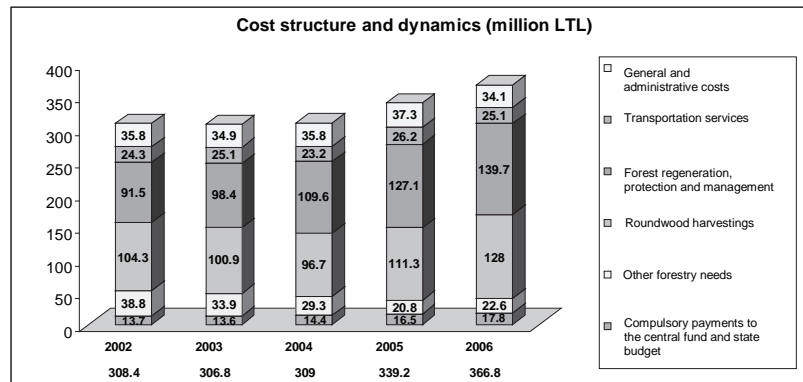
■ Roundwood ■ Standing timber □ Woodworking revenues □ Transportation services ■ Other revenues



Directorate General of State Forests

22

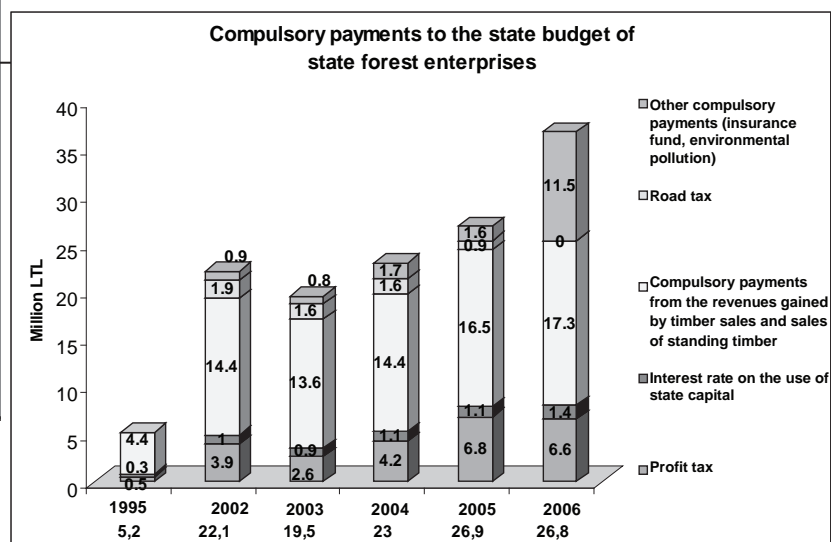
State forests of Lithuania



Directorate General of State Forests

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State forests of Lithuania



Directorate General of State Forests

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The Reform Process within the National Forest Administration ROMSILVA

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The reform process within the National Forest Administration ROMSILVA

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Supporting the Forest Sector Reform in Russia and in the Southeast European Countries
by Assessing the Experiences of the New EU Member States
21-22 March 2007 Pushkino, Moscow oblast, Russia

CHARACTERISTICS OF THE FOREST AREA IN ROMANIA

- Total forest area: 6.4 million ha (26,7% of the total country area);
- Geographical forest distribution:
 - 67 % in mountain areas;
 - 25 % in hilly regions;
 - 10 % on the plains.
- Forest composition:
 - 31 % coniferous (spruce, fir, Scots pine, larch, Douglas-fir);
 - 30 % beech;
 - 19 % oaks;
 - 14 % various hard broad-leaved (hornbeam, locust tree, ash-trees, maples, cherry tree...);
 - 6 % various soft broad-leaved (lime-trees, poplars, willows...).

FORESTRY IN ROMANIA BEFORE 1990

Ministry of Forestry with the following main tasks:

- Management of the entire forest fund and its resources (including the valuing of the standing timber - on a fixed price, and the non wood forest products);
- Management of the hunting grounds;
- Management of the mountain fishing grounds and trout farms;
- Policy maker for the forestry sector;
- Supervision of the activities related to forestry (including harvesting, timber transportation and sawmills) and law enforcement.

Ministry of Forest Economy and Construction Materials with the following tasks :

- harvesting of the standing timber;
- timber processing.

In 1990, it was established that all Romanian ministries should have attributes only for the elaboration and issuance of regulations and for law enforcement.

NATIONAL FOREST ADMINISTRATION – ROMSILVA AND ITS ROLE IN THE ROMANIAN FOREST MANAGEMENT

- National Forest Administration – Romsilva (NFA) was founded on the 1st of January 1991 (by Governmental Decision no.1335/21.12.1990) and it is being coordinated and subjected to the authority of the Ministry of Agriculture, Forests and Rural Development
- Main tasks:
 - ✓ to implement the national strategy in the field of silviculture
 - ✓ to ensure the integrity, preservation and sustainable development of the state owned forests
 - ✓ management of the state forest areas
 - ✓ management, on contract basis, of the private forest areas, afforested pastures and shelterbelts,
 - ✓ sound use of timber and non timber products, including management of the hunting and fishing grounds allotted by law,
 - ✓ forestry specific public services;
 - ✓ acting as the National Horse Breeding Authority, NFA preserves the genetic patrimony of the Romanian thoroughbred horses.

THE STRUCTURE OF NATIONAL FORESTS ADMINISTRATION

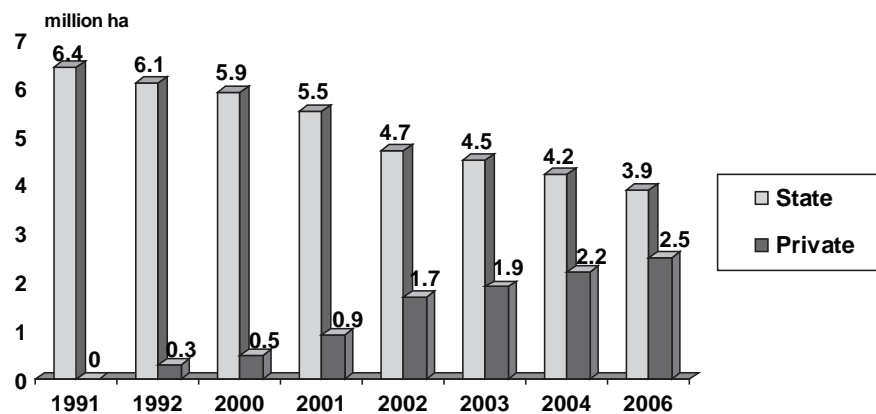
- Coordinates 41 county units (forest directorates) – consisting of 349 forest districts and the Forest Research and Management Planning Institute.
- The staff consists of 25 288 employees, out of which 13 283 forest staff (2500 diplomat engineers), 9 800 workers and 2 205 staff with different training.

FOREST OWNERSHIP IN ROMANIA

- The forest land restitution process is ongoing
- Total forest area successfully returned to the former owners: approx. 2.5 million ha (end of 2006)
- At the end of this process, it is estimated that the private forest area will be around 50% of the total forest area in Romania

FORESTS RESTITUTION

- Law no. 18/1991: approx. 0.3 million ha of forests were restituted to private owners;
- Law no. 1/2000: approx. 1.9 million ha of forests were restituted to private owners;
- Law no 247/2005: approx. 0.3 million ha were restituted (at the end of 2006)



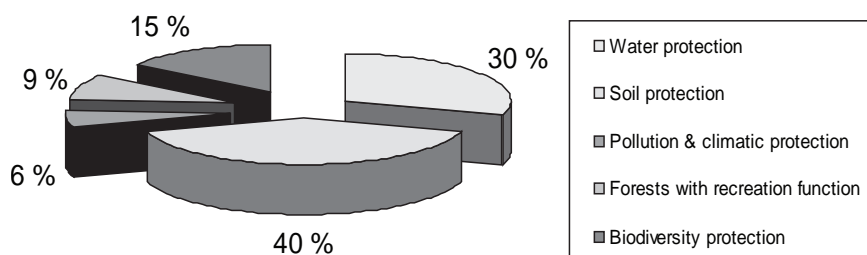
CHARACTERISTICS OF THE STATE FORESTS IN THE ADMINISTRATION OF NFA

- Total state-owned forest area: 3.9 million ha (61% of the total forest area);
- State forest composition:
 - 28 % coniferous (spruce ,fir, Scots pine, larch, Douglas fir);
 - 32 % beech;
 - 18 % oaks;
 - 16 % various hard broad-leaved (hornbeam, locust tree, maples, ash-trees, cherry tree ...);
 - 6 % various soft broad-leaved (lime-trees, poplars, willows...).
- State forests structure on main functional groups:



CHARACTERISTICS OF THE STATE FORESTS IN THE ADMINISTRATION OF NFA

Functional group I (protection forests) main attributes:



National and Natural Parks in 2006

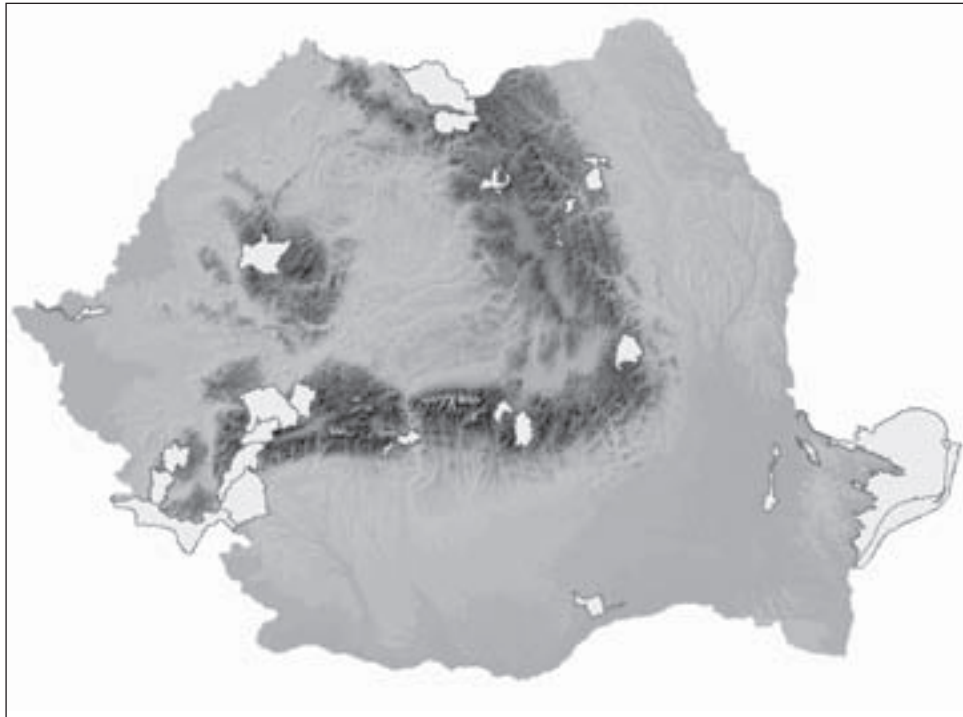
27 national and natural parks, with a total surface of 1 652 312 ha (7% of the Romanian territory)

- Danube Delta Biosphere Reserve – 580 000 ha (of which 22 900 ha of forest)
- 13 national parks covering 315 857 ha, of which 227 908 ha forests
- 13 natural parks covering 756 455 ha, of which 356 113 ha forests

Beside that, there are 677 protected areas with a surface of about 90 thousands ha (337 within forest covering 40 thousands ha of forest).

PROTECTED AREAS MANAGED BY NFA

- Foresters concern for this activity has started at the end of the 19th century
- On a protocol agreement with the Ministry of Environment and Water Management NFA administrates 12 national parks and 10 natural parks (from all 27 parks in Romania)
- NFA has created and it is supporting 22 park administrations, with 259 employees, and it is allocating around 2 million Euros per year
- Surface of the 22 parks is around 850 thousand ha, of which 570 thousand ha are forests (67%) - 160 thousand ha being strictly protected
- Private owners will be compensated for their lands inside the protected areas (up to 150 Euros / year)

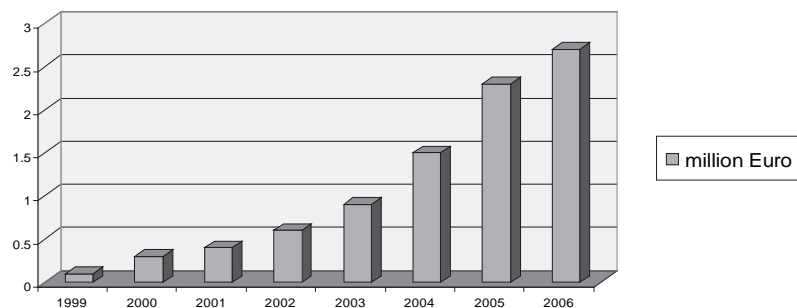


SUPPORTING PROTECTED AREAS ACTIVITIES BY INTERNATIONAL PROJECTS DEVELOPED WITHIN NFA

The main programs for financing the NFA – ROMSILVA's protected areas activities were:

- GEF projects (3 projects summarizing 7.5 million USD)
- PHARE projects (3 projects totalizing 4,7 million Euro)
- LIFE projects (4 projects summarizing 1.3 million Euro)

International Projects Funds, implemented by National Forests Administration - Romsilva, between 1999 - 2006



THE AFFORESTATION OF DEGRADED AGRICULTURAL LAND PROJECT IN ROMANIA

- The project was developed on an Agreement basis signed by the NFA and the International Bank for Reconstruction and Development, on September 2003.
- The activity of the project, which consists of the afforestation of 6033 ha of degraded agricultural land, corresponds to the stipulations of The Article 3.3 of The Kyoto Protocol regarding the greenhouse gas emissions effects (mainly carbon dioxide).
- Besides the Afforestation of the Degraded Lands Project, the NFA is implementing the Special Program Grant for Public Outreach and Support for Climate Change Mitigation through Afforestation (503 thousand USD).

FORESTRY DEVELOPMENT PROJECT

The National Forest Administration – Romsilva is also a partner in implementing the Forestry Development Project, coordinated by the Ministry of Agriculture, Forests and Rural Development.

The project amounts to 31.8 millions USD, of which 25 million USD represent the loan given by the World Bank to the Government of Romania for the project implementation. It was started up in 2003 and has 2009 as deadline.

One of the most important components of the project is represented by the set-up of the strategy within the forest sector by taking into account the last changes. This refers both to the state owned forests and to the private ones.

NFA'S MAIN ACTIVITIES

Management of the forest fund and its resources:

- **Forest management** based on the concept of sustainable development
- **Tending operations on young stands** for approximately 230 000 ha per year
- **Timber sales** (auction based)
 - ✓ standing timber (approximately 6 million cubic meters for 2007)
 - ✓ logs and processed timber (approximately 4 million cubic meters for 2007)
- **Forest regeneration:**
 - ✓ The annual regenerated area (total) – 18 000 ha, out of which
 - afforestation - 10 000 ha
 - natural regeneration - 8 000 ha
 - ✓ Nurseries – a total area of approximately 2 500 ha with an annual production of 85 million seedlings (30 million of coniferous seedlings and 55 million of broad-leaved seedlings).

NFA'S MAIN ACTIVITIES

- **Ecological reconstruction:** Afforestation of degraded lands.
- **Investment activities:**
 - ✓ Watershed management;
 - ✓ Forest roads.
- **Pest control:**
 - ✓ Broad-leaved forests – insect control using biological and bioactive substances;
 - ✓ Coniferous forests – bark beetle control using pheromone traps.
- **Wildlife management and hunting:**
 - ✓ Hunting grounds on a total area of over 6 million ha;
 - ✓ Main game species: red deer, roe deer, fellow deer, chamois, wild boar, hare, pheasant, capercaillie, wild ducks and geese.
- **Trout farms and sport fishing in freshwater:**
 - ✓ 50 trout farms with an annual production of 900 tonnes of trout;
 - ✓ Over 400 fishing grounds, totalling over 18 000 km of freshwater and over 12 thousand ha of lakes.

NFA'S MAIN ACTIVITIES

- **Other forest products:**
 - ✓ Forest fruits (bilberries, blackberries, raspberries, dog rose fruits, sea buckthorn, common hawthorn);
 - ✓ Forest fruits juice;
 - ✓ Edible forest mushrooms;
 - ✓ Medicinal and aromatic plants;
 - ✓ Wickerwork;
 - ✓ Ornamental products;
 - ✓ Ornamental trees and plants.
- **Timber and other wood products:**
 - ✓ Semi-products, parquet elements, small boxes;
 - ✓ Wood construction and small furniture;
 - ✓ Charcoal.
- **Scientific research and planning:** carried out by the Forest Research and Management Planning Institute.
- **Management of protected areas and preservation of biodiversity**
- **Silvotourism:** accommodation in 100 comfortable lodges and guided tours.
- **Forest certification** according to the FSC scheme (1 million ha).

NFA'S MAIN ACTIVITIES

- **Breeding and improving of thoroughbred horses:**
 - ✓ 17 elite horse breeding units (out of which 12 are stud farms);
 - ✓ 10 pure breeds, 2 varieties and 2 new breeds to become, in a total number of 4000 horses;
 - ✓ The Equestrian Sport Club under the authority of National Forest Administration – Romsilva;
 - ✓ Sport, tourism and recreational riding.

Management of the private or community forests on contract basis (around 370 thousand ha)

Providing forest services for the private or community forests on contract basis (around 360 thousand ha)

Private forests guard for individuals, on demand

CONCLUSIONS

The NFA operates as a financially autonomous organization performing forest management and silvicultural operations, providing a series of non timber forest products and services, as well as a range of public services.

New challenges NFA has to face:

- rapid changes in forest ownership pattern during the restitution process;
- new competitors in timber market;
- diminishing the productive forest area administrated by NFA;
- the increasing pressure of the local communities and NGO's to diminish wood harvesting, hunting, forest road network development;
- social responsibilities within actual context.

CONCLUSIONS

Sustainable Forest Management also means a well-balanced management of the ecological, social and economical functions of the forest

Although timber sales still represent the main source of funding, NFA is currently:

- developing some NTFP activities;
- modernizing the trout farms;
- developing the hunting activities (including establishment of new hunting enclosures)
- developing a better sorting mechanism for the timber sold as primary sets (veneer logs, lumber logs, pulp timber etc.) to increase its value
- developing new primary processing timber units (sawmills)
- developing the commercial activity related to ornamental plants and shrubs
- establishing new activities such as management of protected areas and silvotourism (in order to improve its image)



Management of State Owned
Forests in Slovakia – Overview of
a Study Tour by a Russian Expert
to a new EU Member Country

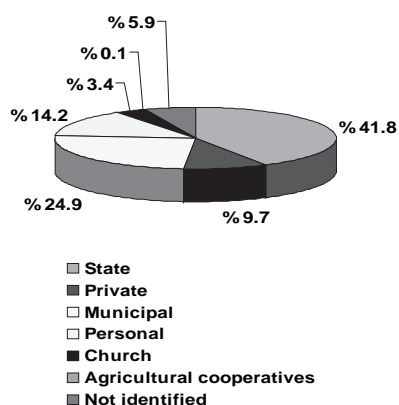
Natalia Krotova
Head of Department
Department of Forestry of the Archangelsk
Region, Russia



FORESTS OF THE REPUBLIC OF SLOVAKIA

- **FOREST AREA - 2.0 MILLION HA**
- **PERCENTAGE OF FOREST AREA – 40.8%.**
- **ANNUAL INCREMENT – 11.05 MILLION M³**
- **TOTAL STOCK, INCLUDING:**
 - **DECIDUOUS TREES – 53%**
 - **CONIFEROUS TREES – 47%**
- **DESIGNATION**
 - **COMMERCIAL – 67.6%**
 - **PROTECTION – 17%**
 - **SPECIAL PURPOSE – 15.3%**

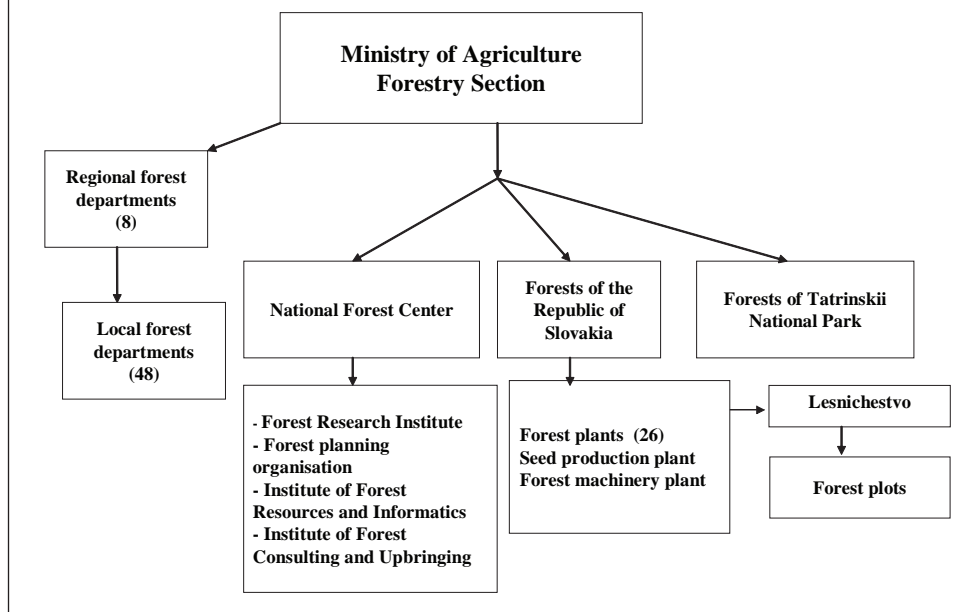
Forest distribution by types of ownership



FORESTRY OF SLOVAKIA

- 25 000 EMPLOYEES:
 - 13 000 PERSONS DIRECTLY INVOLVED IN FORESTRY;
 - 12 000 IN ENTERPRISES PROVIDING SERVICES ON CONTRACTUAL BASIS
- MANAGEMENT ORGANIZATION – «FORESTS OF THE REPUBLIC OF SLOVAKIA»

State management structure of forests in Slovakia



Company “FORESTS OF THE REPUBLIC OF SLOVAKIA”

Directorate General has 4 departments responsible for the following activities:

- Technical development (including forestry operations)
- Trade
- Economics and finance
- Organization of production

Revenues

- Timber sales (90%)
- Timber sawing (4%)
- Hunting (3%)
- Tourism (construction of summer houses and their provision for rent), biomass production, animal breeding (bisons and horses for forest work), sales of Christmas trees (3%).

NATIONAL FOREST CENTER

- Forest Research Institute
- Forest planning organization
- Institute of Forest Resources and Informatics
- Institute of Forest Consulting and Upbringing

MINISTRY OF AGRICULTURE FOREST SECTION

- Approval of regional plans, including definition of designation of forests
- Identification of borders of forestry enterprises
- Organization and implementation of work on certification of forest managers
- Adoption of key provisions of forestry plans
- Activities in case of natural disasters
- Adoption of the Charter of Slovakian hunting Union
- Development of instructions and recommendations on management of forestry and game
- Methodological assistance to forest departments of regional and local executive authorities as well as control over unified procedures

REGIONAL FOREST DEPARTMENTS

- Adoption of statutes on territorial planning
- Control over forestry operations
- Approval of forestry plans
- Division of forests by their designation
- Planning and implementation of activities in case of natural disasters
- Administration of a forest managers' register

Local forest departments

- Allocation of forest lands, administration of the register of forest owners and users
- Identification of activities aimed at rational use and protection of forest lands
- Appointment of professional forest managers, their certification, disqualification and administration of a relevant register
- Determination of fines for violating forest and hunting legislation
- Provision of permits for construction done on forest lands
- Provision of permits for deviations from legally established norms of forestry (prolonging terms of forest regeneration etc.)
- Activities in case of natural disasters
- Evaluation of the results of forestry operations
- Determination of key provisions for running game management areas

Forest revenues

- Real estate tax - 104 million SKK consists of two taxes:
 - Land tax (main part). Land tax concerns only commercial forest reaching the age of first thinning. For forest land there is a maximum tax in the amount of 0.25% of the basic rate of the land tax. In some cases the tax can be reduced or exempted for several years.
 - Tax on buildings and constructions.
- Road tax - 36 million SKK. Amount of tax - 20%. Enterprises of forest industries do not pay this tax.
- Profits tax - 428 million SKK. Enterprises pay 19% of profits.
- VAT - 932 million SKK. Amount of tax varies from 10 to 23% depending on the type of a product.

THERE IS NO SUCH A CONCEPT AS STUMPAGE PRICE IN SLOVAKIA

Recommendations

- Division of economic, management and control functions. Prohibition for concentration of different functions to one executive authority.
- Provision of one or several management levels with normative and control functions at the same time. Only controlling the execution of your own decisions can be productive.
- Compulsory consideration of regional special features when defining methods and norms for forestry.

Recommendations

- Regional (district) special features of forest planning must contain elements of economic evaluation.
- It is indispensable to keep continuity of legislative norms when changing legislation. Business must be sure that its rights deriving from legitimate acts of the state are protected.



THEME IV

Financing sustainable forest management

Chairman

Nadezda Lovtsova

All-Russian Institute for Continuous Education in Forestry, ARICEF



Presentations

Financing and financial management of the forest sector in the Slovak Republic
Ivan Kolenka, Professor of Forest Economics, Technical University, Zvolen, Slovak Republic

Financing of forestry from public resources in the Czech Republic
Luděk Šišák, Vice-Dean, Faculty of Forestry and Environment, Czech University of Life Sciences, Czech Republic

Financing of sustainable forest management - Overview of a study tour by a Russian expert to Poland
Natalia Bulygina, Docent, All-Russian Institute for Continuous Education in Forestry ARICEF, Russia



Financing and Financial Management of the Forest Sector in the Slovak Republic

Ivan Kolenka
Professor of Forest Economics
Technical University, Zvolen, Slovak Republic

FINANCING OF FORESTRY IN SLOVAKIA

- Stages of reform
 1. Privatization and restitution of ownership
 2. Reform of economic principles and economic activities
 - Trade Code
 - System of taxes and duties
 - State budget rules
 3. Adoption and implementation of laws and rules related to EU instructions

Source: Author

Forest ownership structure of Slovakia

Forests	Area, 1000 ha				Timber stock, million m ³
	Ownership	Use	Ownership %	Use %	
State	807.7	1130.8	41.8	58.3	255.3
Non-state	1011.1	800.8	52.3	41.3	183.6
Private	275.2	121.4	14.2	6.3	9.9
Unions of private forests	480.2	495.1	24.9	23.8	26.8
Church	65.2	47.4	3.4	2.5	2.9
Agricultural cooperatives	2.6	4.1	0.1	0.2	0.3
Villages and towns	187.8	168.8	9.7	8.7	12.9
Unknown owners	12.6	-	5.9	-	-
Total	1931.6	1931.6	100	100	438.9

Source: Information on the condition of forests in Slovakia

Forest use in Slovakia 1000 ha

- Commercial forests 1307 67,7 %
- Protection forests 327.8 17,0 %
- Other 296 15,3 %

Source: Information on the condition of forests in Slovakia

Revenues from timber (million SKK)

	Year		
	1990	2004	2005
State forests	2604	5768	7635
Non-state forests	-	3700	3720
Total	2604	9468	11 355

- Other revenues 306 million koruns (2,69 %)

Source: Forestry Report of the SR 2006
Author

Average revenue from assortments (coniferous timber) SKK/m³

Timber assortment	Year			Index 2005/1990
	1990	2004	2005	
Top quality	958	3160	3500	4,4
Saw logs	452	1765	1642	3,5
Other wood (for industry)	306	890	650	2,6

Source: Forestry Report of the SR 2006
Author

Average revenue from assortments (deciduous timber) SKK/m³

Timber assortment	Year			Index 2005/1990
	1990	2004	2005	
Top quality	1620	7100	7200	4,4
Saw logs	460	1845	1772	3,8
Other wood (pulp wood)	251	941	1005	4,2

Source: Forestry Report of the SR 2006
Author

Financing from the state budget, million SKK (without budget funded organisations)

Year	Current costs	Actual costs (discounted by inflation)
1990	1115	1115
1995	547	201
2000	572	142
2002	526	117
2003	355	73
2004	225	43
2005	198	37

Source: Forestry Report of the SR 2006
Author

Structure of subsidies from the state budget (million SKK) 2005

	Investments	Current costs	Total
Forestry	44.7	152.8	197.5
Budget funded organisations	6.1	314.2	323.3
Total	50.8	470	520.8

Source: Forestry Report of the SR 2006
Author

Financing projects assisted by the EU

- Opportunities and models
- Investments for income (business)
 - 50% – from the EU and state budget
 - » 35 % – EU
 - » 15 % – state budget
 - 50 % – from private sources

- Afforestation on non-forest land
- 100 % – from the EU and state budget
 - » 80 % – EU
 - » 20 % – state budget

- Non-profitable investments
 - 95 % from EU and state budgets
 - » 75 % – EU
 - » 20 % – state budget
 - 5 % from private sources

Financing of projects supported by the EU in 2005

- 132 projects
- total cost 630 million SKK
 - 321 million SKK – from EU funds
 - 119 million SKK – from state budget
 - 190 million SKK – from resources of enterprises

Source: Estimates made by the author

Taxation system

A Direct taxes

1. Income tax
2. Property tax
 - from real estate
 - » land tax
 - » tax on constructions
 - inheritance tax
 - motor road tax

B. Indirect taxes

1. VAT
2. Selective taxes
 - consumption taxes (fuel, gasoline, beverages etc.)

Tax structure in forestry, included in costs (million SKK)

Tax	Year	
	2004	2005
VAT	932	996
Real estate	104	128
Motor road use	54	36
Total	1090	1160
* Share of taxes on costs (%)	10.35	8.88

- Profit tax
 - 2004 419 million SKK
 - 2005 259 million SKK

Source: Forestry Report of the SR 2006
Author

Investment costs (million SKK)

	Year		
	2003	2004	2005
Costs	215	514	932
Depreciation	842	820	834

Source: Forestry Report of the SR 2006
Author

Bank loans in Slovakian forestry, million SKK

	Year		
	2003	2004	2005
Sum of loans	217	120	170
Interest	8.3	7.4	7.0

Economic evaluation of forestry in Slovakia (million SKK)

	Year	
	2004	2005
Revenues	11484	13774
Costs (full)	10632	13061
Profits (before taxation)	832	718
Income tax	158	136
Used profits	674	582
Cost effectiveness %	6.34	4.46
Revenues effectiveness %	5.87	4.23

Source: Forestry Report of the SR 2006
Author

Financing of Forestry from Public Resources in the Czech Republic

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Abstract

Forests and the forestry sector represent important areas of public interest in the Czech Republic. The forest sector, its structure and tasks, is influenced by rapid and profound changes of conditions as the country undergoes the transition to a market economy. Nowadays the forest sector is much more structured than before.

Forestry is considered as an important multifunctional activity with economic, ecological and social impacts on society, reproducing and securing both market and non-market forest services. The financing of forestry in the Czech Republic is from numerous sources including from public sources, of both domestic and EU origin. The whole financing process needs to be simplified especially regarding the range of activities and the volumes of requested subsidies.

Financing can be divided into 1) compensation for financial losses occurring as a result of securing non-market commodities and services, 2) purchase of non-market goods and services, and 3) subsidies for securing sustainable forest management.

Keywords: Forestry financing, public resources, analysis, Czech Republic

1. Introduction

The area of the Czech Republic covers 78 863 km² (7.886 mil. ha) with 10.3 mil. inhabitants. Forest land covers 2.647 mil. ha, 33.6% of the total land area of the Czech Republic (CR). The forest area increased gradually from 2.629 mil. ha in 1990 to 2.647 mil. ha in 2005. Nevertheless, the afforested area of agricultural lands is negligible compared to several hundred thousand ha of agricultural lands abandoned due to significant economic problems in agriculture. There is a significant lack of finance for the afforestation of agricultural lands in the public budget.

The Czech forestry sector experienced many substantial changes, which influenced the process of forestry financing in the period 1990-2005. A completely new state forest administration was formed, the private sector began to grow in forestry, a new structure of forest owners came into being, a new structure of state forest institutions administering state forest lands occurred, and quite a new system of forestry financing was gradually formed.

By the end of 2005, the proportion of commercial forests (used mainly for production and market purposes) was 76.1%, forests of special purpose 21.0% (used mainly for delivering non-market goods and services) and protective forests 2.9% (especially landscape protection against soil erosion, landslides and avalanches). Financial support in different forms goes mainly to protective forests, forests of special purpose and commercial forests heavily affected by air pollution.

The main tree species are Norway spruce (*Picea abies* L.), covering 53.1% of the total forest area, and Scots pine (*Pinus silvestris* L.), covering 17.2%. These figures are considered relatively high. Great effort is made to come nearer to natural composition (to enhance ecological stability) in the process of reforestation, which is politically supported and significantly subsidised.

As well as the forest area, the growing stock has also increased gradually. The total growing stock volume was 546 mil. m³ under bark in 1990, increasing to 663.2 mil. m³ u.b. in 2005, which corresponds to 225 m³/ha and 259 m³/ha. Total mean increment of 17.3 mil. m³ and total current increment of 20.5 mil. m³ (2005) exceed removals of about 15 mil. m³ of timber per year. **Conservative planning of harvesting** influences the extension of rotation age, for example, the average rotation age was 112.4 years in 1990 and 114.7 years in 2005. The average age of forests reached 60 years in 1990, while was

64 in 2005. These aspects negatively affect the economic effectiveness of forestry and cause other problems such as the increased danger of diseases and damages, and an increased susceptibility to air pollution, which is still a significant problem in forests of CR.

2. Political framework

The forest is generally accepted to be a multifunctional natural resource, which is both a production and a non-production factor in the life of society, it is natural wealth for society but also wealth reproducible by labour. Its economic, ecological and social importance lies in its wide range of market and non-market functions. Forestry is a multifunctional activity and, in the strict sense, a societal sector with economic, ecological and social impacts. The share of this activity in GDP terms is considered, from an accounting viewpoint, as insignificant.

Long-term monitoring shows an approximate average share of 0.6% in GDP, 0.7% in employment and 0.3% in investments. However, in the larger socio-economic sense, the importance of forestry and the forest is much more significant as they guarantee consumption of relevant production means and consumer goods provided by the suppliers, and produce raw material for the processing industry. In this sense, there is a calculation of a minimal 5% share of the GDP and employment, which is even amplified in connection with rural development and stability. Furthermore, there is also a significant positive environmental impact.

The principles of sustainability, environmentally friendly management and enhancement of the biodiversity in forests have been included in the new Forest Act (No. 289/1995) passed by the Parliament of the Czech Republic in 1995. The Forest Act respects the contemporary trends in forestry and supports them in both legislative and economic ways. According to the Forest Act, forests are a national heritage that forms an irreplaceable element of the environment and the Act for the Protection of Nature and Landscape states that forests are a significant factor in landscape use.

Legislative tools are applicable for all forest owners, without exception, to restrict their activities for reasons of public interest. Apart from the Forest Act, there are other Acts substantially influencing forestry – especially the Nature Conservation Act (No. 114/1992).

Forestry policy is aimed at the permanent maintenance of forests for future generations. The forest provides not only sustainable timber production but also meets functions beneficial to society. The State is interested in a permanent and balanced use of this renewable resource and the utilisation of its benefits for the public interest.

The policy in forestry financing is related, above all, to the securing and enhancement of providing the population with non-market forest goods and services. It partially supports the competitiveness of timber production and employment because timber is considered as a very important environmentally friendly, sustainable and renewable raw material for the life of society as opposed to the other non-renewable and non-environmentally friendly raw materials. Forestry financing is not aimed at supporting the market services including timber production. The forestry financing is derived from valid legal regulations directly influencing financial management of the forest owners.

3. Institutional framework

The institutional framework is created mainly by the state forest administration, private forest owners, communal forest owners, state forestland managers, private forest companies, and by their associations.

The State forest administration consists of three levels. The Forestry Division of the Ministry of Agriculture (first, top level) methodically supervises the regional and district authorities (second + third levels). These authorities exercise the state administrative duties on the land they are responsible for as set out by the State forest administration bodies in accordance with the Forest Act. The regional offices are especially responsible for implementing the financial contribution programmes.

Significant changes have occurred in the area of forest under private ownership and the number of private forest owners. In 1990, almost no private forest owners existed in the CR but by the end of 2005, there were about 150 000 private forest owners in the CR with 23.2% of forestland. The group of private forest owners is not homogenous. At present, the vast majority of private forest owners have holdings smaller than 2 ha, which are frequently further divided.

Private owners with small holdings generally have little professional knowledge of forestry. They also usually have a weak claim to the ownership of the land, a lack of financial means, and often live very far from their forestland and work in other industries. Therefore, the forest policy, and the State administration and authorities try to support the enhancement of their knowledge, elaboration and use of forest management guidelines, consultancy by professional foresters and creation of forest co-operatives by using mainly economic tools.

Municipal forest ownership has a long tradition in the CR. At present, communities (cities, towns and villages) possess 15.5% of the total forest area. The majority own small areas of forestland (56.4% own less than 10 ha). Systems of forestland management are quite different, from those that administer their forests and all forest operations on a contractual basis to those performing almost all forest operations by themselves. As for economic tools of forest policy, municipal (communal) forests are treated the same way as private forests.

State forestland (59.8%) is administered by several different institutions. The largest of them is the State Enterprise "Forests of the Czech Republic", headquartered in Hradec Kralove, administering 1.359 mil. ha which is 51% of the total forest area. Other managers are State Enterprise "Military Forests and Farms" (5% of the total forest area) and 4 national parks (4% of forests) belonging to the Ministry of Environment. Additionally certain forests are managed by two Agricultural Universities (faculties of forestry) and by the Office of the President of the CR (see Table 1).

Table 1. Forest ownership changes in % between 1990 and 2005 in the CR.

Owner	1990	2005
State	95.8	59.8
Municipalities	0	15.5
Regional governments	0	0.2
Co-operatives	4.1	1.0
Public universities	0	0.3
Private	0.1	23.2

Included within the forestry sector are the private forestry companies. They perform different works and operations in forests on a contractual basis. Usually, they do not own any forestland. They originated in the process of transformation of the former Forest Directorates of State Forests. All property of the State forest enterprises, under the auspices of the Ministry of Agriculture (excluding forest land and forest stands), was divided by the privatisation projects into 1) privatised section (50.6%), 2) section assigned to covering restitution claims of people, whose property could not be returned de facto, and 3) section under administration of the State forests (2 + 3 totals 49.4%).

In the very beginning of the privatisation process of the State forest Enterprises, 94 joint stock companies were founded. Subsequently, they were privatised by three auctions, four public tenders and 17 direct sales. Apart from stock holding companies there gradually originated many other firms including limited companies. All firms offer and perform forest services for forest owners, mostly for the State Enterprise "Forests of the Czech Republic". They can obtain only limited types of subsidies, particularly subsidies supporting innovation investments from the Promoting and Guarantee Farmers' and Forestry Fund.

4. Differentiation of financial funds from public resources

The forest, with all its societal production and non-production functions, represents an objective of both private and public interest. Public interest is enforced in all forms of forest ownership. Sustainable management of the forest and sustainable use of all its societal functions is in the public interest. Requirements for intensification of selected non-market functions of the forest according to needs of society (or its parts) may limit the management options for the owner, tenant or a forest manager as far as market and socio-economic relations are concerned. These requirements often mean deterioration in economic efficiency, loss of income, additional costs. In such a case it is necessary to calculate and cover the emerging economic losses within the frame of the market economy.

Financing of forestry from public resources in the Czech Republic traditionally comes from numerous sources and subsidy titles. The system of forestry financing is rather complicated (Sisak & Pulkrab 2002, Sisak et al. 2002, Sisak & Chytrý 2004, Jarský 2005). Previous analyses imply the need to create a networked and simpler system of subsidies. However, the opposite is apparent.

In connection with financing forestry from public resources, interdepartmental coordination of resources and calculation of its efficiency at a nationwide or regional level according to a unified system should occur. The financial means should be treated, monitored and analysed differentially according to their different socio-economic nature. It is important to separate the compensations for economic detriments emerging from reducing forest management and deteriorating economic efficiency of timber production owing to the requirements of society to perform the non-market functions of forest from subsidies and express them separately. Likewise, the funds from public resources that involve the purchase of relevant functions and services of forest and forestry should not be included among subsidies the way it is still happening in the CR (Sisak 2004). The differentiation of the above economic instruments, which ensure meeting the requirements of public interest on forests and their market and non-market functions, is very useful. It would significantly contribute to an increase in the level of decision making on resource allocation and to make forestry financing transparent not only within the Czech Republic but also outwardly for the EU.

Financial means from public resources should be divided into:

- actual contributions, subsidies, from public resources that are, in a way, a contribution, support, thus a donation from society or its parts to the subjects in forestry (especially owners, tenants and forest managers) intended for such forest management that meets desired societal requirements, they are funds with a motivational effect,
- compensations for economic detriments (losses) for owners, tenants and forest managers caused by restricting forest management, increasing expenses and reducing incomes, i.e. deteriorating the economic efficiency of timber production owing to non-market requirements of the society (so these are not donations or support),
- purchase of work and services by the society, the public, its parts, community organs and organisations for the needs of intensification of the non-market societal functions of forest and forestry (even these are not donations or support).

5. State and analysis of forestry financing from public resources

The official and statistics documents in the CR (e.g. annual Report on the State of Forest and Forestry in the CR, 2003, 2004) but also other texts define State budget funds for the forestry sector as 'subsidies' in forestry. As noted above, it is highly questionable to indicate the mentioned funds as support, thus subsidies from both political and economic points of view in the Czech and international environment (especially EU).

The person who receives such information gets an entirely unreal and biased conception of reality, and they can, as a result, react and make decisions in an inadequate way. The situation and trend in funds flowing into forestry over the last five years (where data is available) can be seen in the following structure, presented in Tables 2-4.

The governmental financial obligations (Table 2) do not represent the financial support in terms of subsidies for owners, tenants, or forest managers. In fact, they are not donations from public resources given to subjects in forestry by the society. They are not even compensations, i.e. payments for economical loss to those subjects that implement the particular works either by order or compulsion to satisfy public interest or for general welfare. On the other hand, the concern is completely different; they are regular payments for services required by government because of public (governmental) interest. It is a purchase of services required by the State. Otherwise, these services would not and could not be normally implemented in the market economy. This cannot be ignored. We have to acknowledge the need for payments and allocate the given volumes of funds and services into relevant categories.

Table 2. Governmental financial obligations subject to the Forest Act (mil. CZK)*.

Activities	Years					Average
	2000	2001	2002	2003	2004	
Soil reclamation and torrent control	125	125	124	91	57	104.4
Licence forest managers	105	110	120	91	127	110.6
Forest management guidelines	33	29	29	29	19	27.8
Soil improving and stabilising tree species	12	11	11	10	10	10.8
Total financial obligation of the state	275	275	284	221	213	253.6

* 1 CZK = 0.03 EUR

The services, presented in the Table 3, need to be divided into two groups. The first item, the aerial liming and fertilising, is carried out to regulate site quality or site and production conditions damaged in forests of differing ownership as a result of society's actions, i.e. damages caused by domestic or international industrial pollution. The State has not been able to cover economic losses and damages caused to owners by negative externalities of industry, not even per curiam. The State compensates at least for a part of the detriments and the damages this way; however, quite insufficiently. Therefore, it is not right if the government administration claims that the forest owners are subsidized, financially supported, even presented with charitable gifts for regulation of site and production conditions. The forests were damaged by industrial production and pollutants within the frame of society and government, and thus the damages must be righteously compensated.

Table 3. Services provided by the government for forestry (mil. CZK).

Activities	Years					Average
	2000	2001	2002	2003	2004	
1. Aerial liming and fertilising – polluted areas	75	70	68	15	58	57.2
2. Airborne fire control service	26	15	15	14	14	16.8
3. Large-scale measures for forest protection	1	1	2	2	3	1.8
4. Consultancy	12	15	18	6	8	11.8
5. Other services	5	6	9	2	4	5.2
Total services	119	107	112	39	87	92.8

The other three titles (items 2-5) can be considered as subsidies, financial contributions donated by the government to help subjects in forestry. They are not only subsidies focused on the reinforcement of the production function of forest; they also follow the societal desire to improve the quality of forests and all their non-market functions in the public interest.

Of the items listed in Table 4, item No. I (Regeneration of forests damaged by air pollution) can be regarded as compensation, i.e. recovery for the detriment and damage caused to the forest owners by air pollution. It is a similar case as in Table 2, item No. 1, while items 2, 9, 10 and 11 (Table 4) can be considered as real subsidies, i.e. financial assistance to provide relevant activities, even though these activities are also connected with the needs of society as a whole, not just with the needs of the given subjects. Item No. 11 basically does not come under actual forestry, i.e. timber production; its importance is insignificant in this connection.

Table 4. State subsidies (aids) to forestry by purpose (mil. CZK).

Activities	Years					Average
	2000	2001	2002	2003	2004	
Regeneration of forests damaged by air pollution	26	28	22	24	27	25.4
Reforestation, establishment, tending of stands	207	241	221	225	248	228.4
Grouping of the small - sized forest owners	3	4	4	4	4	3.8
Ecological and nature friendly technologies	18	23	21	26	31	23.8
Non-market forest services	179	45	32	8	*	52.8
Torrent control	43	1				8.8
Support of endangered species of wild animals	4	4	4	3	4	3.8
Elaboration of forest management plans	82	2	79	65	70	59.6
Other subsidies	3	6	5	5	3	4.4
Programmes co-financed from EU funds	2	5				1.4
Hunting dogs and birds of prey raising and training					1	0.2
Total financial subsidies	567	359	388	360	388	412.4

*Is merging into Operational Programme for Rural Development and Multifunctional Agriculture, covered by EU funds.

Items 3-8 can be described as the purchase of particular services required by society and the state administration. Comparing the available funds on one hand and the real expenses on the other hand, we can say that in a number of items, the reimbursement of costs is quite insufficient. This way, the government is trying to shift a substantial part of the expenses, which it imposed, for the activities implemented on its own behalf onto the shoulders of forest owners. It should be reiterated, these are essentially not subsidies, donations, contributions to someone for their own activities. Item No. 3 (grouping of the small-sized forest owners) is the current focus of the public administration; it simplifies bureaucracy and organization of the public forest administration and its financial demands and at the same time improves the quality of multifunctional forest management, which is a societal concern. Item No. 4 can be interpreted as the purchasing of services by the government because the public interest is the forest owner, manager or tenant using more lower-impact technologies, which are, however, less economically efficient than the conventional ones.

Items No. 5, 6, 7 and 8 represent typical purchases of services; of them No. 5 and 6 are merging into Structural Funds of the EU to a large extent. The government administration traditionally tend to claim that the forest management plan is an instrument of the forest owner, manager or tenant, who need it to manage their forest property (it truly might have been that way long ago). Nevertheless, if it really currently works this way, then the government would not state that the owners are obliged to manage forest according to the forest management plan (Forest Act No. 289/1995). Furthermore, the government would not order that the relevant subjects are obliged to have the forest management plan elaborated by authorised companies to a predetermined level of quality and thus for a given price, that they need to have it approved by the state forest administration authorities and then adhere to it when managing their forest property.

In the Czech Republic's current socio-economic, cultural and legal environment the forest management plan is actually not only an owner's instrument but also that it is above all an instrument of society, government, and the state administration. Not only is it the administration's **tool for ensuring that** forest management is in accordance with the current views of the politicians and relevant experts but also providing information required by the public administration (including information on the condition of the forests and the development of management with respect to **society's needs**).

Therefore, the financial resources that an owner, tenant or forest manager has to spend on the elaboration of the forest management plan are not a subsidy in this case, it means they are not either a government donation or compensation for a detriment, i.e. higher or extraordinary expenses accrued by the owner, tenant or forest manager in the market environment. As a matter of fact, these are purchases of services by the government, especially the acquisition of the forest management plan as an instrument ensuring that the desired standard of forest management is carried out by the owners (according to institutionalized opinion of public authorities), and they are also a purchase of information for the authorities.

The funds listed in Table 4 show that of an annual average of 412.4 million CZK only 234.4 million CZK, i.e. 57% are real subsidies or contributions. The remaining part is either compensation for detriments or a purchase of societal services. There is a significant difference between the routing of financial means according to the kind of ownership. From the above mentioned average annual value of 412.4 million CZK, an annual average of 69.0 million CZK were used for financing state forests, i.e. 42 CZK/ha, 148.2 million CZK for financing municipal (communal) forests, i.e. 378 CZK/ha, 195.2 million CZK for financing the rest of forests (predominantly private ones). This implies that the state forests have to use their economic resources generated by timber sales to cover the major part of detriments or the expenses resulting from the decreased economic efficiency of timber production caused by forest management restrictions required by the State and providing services for society. This will be apparent in their trading income, economic efficiency and consequently have a negative impact on principles of market economy and unequal conditions for the market participants.

Between the 2000 and 2004, there was support provided from a Supporting and Guarantee Agricultural and Forestry Fund. The Fund subsidised interest rates on loans to business subjects (the amounts varied considerably, from 13 to 37 million CZK per year), and paid for the credit guarantees (from 1 to 10 million CZK per year).

There were also contributions to the management of military forests in the period 2000–2004 at annual levels of 57 million CZK – 66 million CZK. The support from the State Environment Fund varied to a great extent from 126 million CZK in 2002 to 7 million CZK in 2004; in other words having a significantly downward trend.

In 2004 there was a preparation of transition to subsidies from EU Structural Funds – financial support from the Operational Programme for Rural Development and Multifunctional Agriculture, which also includes forestry within the frame of the Operational Program 1.3.

There were also funds provided for structural transformation of agricultural production by afforestation, for afforestation of farmland, for planting and protection of young-growth stands. In the first place these are actually purchases of services on behalf of society within the scope of agriculture (not forestry), and not subsidies. They were funds fluctuating from 153 to 120 million CZK per year in 2000-2003. In 2004 the financing was changed to be included in EU structural funds.

Overall it can be stated that only a small part of the financial resources going to forestry are real subsidies. Out of the annual average of the values from the years 2000 - 2004 amounting to 967 million CZK of financial resources going to actual forestry through the mediation of the Department of Agriculture indicated as subsidies, only 271 million CZK are real subsidies flowing into forestry itself, which is only 28% of the indicated funds – significantly less than the stated amount. And even these considerably constrained funds are not provided only to help the forest owners, tenants and forest managers assert themselves in the market but also to motivate them to maintain the forests in desired condition, thus, in other words, serve the public interest.

Subsidies are important especially for private and municipal forest owners who obtain the vast majority of such contributions. While enterprises managing state forest land are supported annually, on average, by about 100-150 CZK/ha (3-5 EUR/ha) of forest land, private and municipal forest owners get more than 500-600 CZK/ha (15-20 EUR/ha) (Table 5).

Table 5. Profit of forest owners without/with contribution for forest management 2002-2004.

Owner	2002	2003	2004
State	247 / 406	47 / 205	243 / 356
Municipalities	169 / 764	81 / 749	-40 / 674
Private	433 / 953	722 / 1,254	144 / 678
Average	277 / 586	213 / 534	177 / 479

Until 2005 the financial contributions going to forest management were provided from the State budget in accordance with binding regulations, which have been a yearly amendment to the State Budget Act. In 2005 the Department of Agriculture still issued the Obligatory Rules for Financial Contributions for Forest Management in the Year 2005 and Audit Method, which was published on the website of the Department of Agriculture, however the individual regions were not obliged to and did not adhere to it.

Since 2005 the major part of contributions was transferred under the competence of regions by the new Act on the Budgetary Allocation of Taxation Revenue. Unfortunately, the Act was inadequate and vague. The Regions were given the financial means, covering also government obligations (so-called 'mandatory state budget expenditures', see Table 2), but with no strict bidding to use them for the respective purposes. Therefore, the regional authorities could freely dispose of the money, and were not forced to allocate a necessary amount for forestry. As a result, forest owners in some regions were deprived of some of the money the state was obliged to pay them; de jure the Act on the Budgetary Allocation of Taxation Revenue was contradictory to the Act of Forestry. This negatively influenced the market principles and created market disparities between the owners (market subjects in general) in terms of unified market economy of the Czech Republic.

It should also be mentioned that the State administration had to face other challenging financial obligations in 2005, the coverage of which became a difficult and unreasonable problem that exceeded the capabilities of the Department of Agriculture and had to be carried out at the Government level.

6. Conclusions

The analysis proves that the situation in forestry financing from public sources is rather confusing and difficult. A relatively large amount of titles and resources raises a presumption of a significant provision of financial means for multifunctional forestry. However, these sums are very small in volume and their financial management is complicated and demanding in terms of organization, administration and finance.

The complexity of the financing process is similar for both small and large volumes of work, for owners, tenants and managers of both small and large forests. The whole process, starting with project elaboration, continuing with filing an application and its approval and finishing with financing and supervision, needs to be simplified especially regarding the range of activities and the volumes of requested financial means.

Financing (or financial contributions) should be divided into the following categories:

- compensation for economic losses in forestry emerged while securing market commodities and services that are required as non-production functions of forest,
- purchase of particular services – productive activities by governmental or societal authorities,
- production function subsidies in substandard production and economic conditions for securing sustainable forest management.

Furthermore, it is necessary to assess the output provided or reached with the particular financial means not only in physical, technical units, but also in monetary expression, in connection with both production (market) and non-production (non-market) functions. However, these functions also have to be evaluated reasonably from the society's socio-economic point of view.

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Acknowledgments

The paper was prepared in the frame of a research project supported by the Grant Agency of the Czech Republic (GACR) No. 402/06/1100 Accounting systems and sustainability reporting and their application at microeconomic level (systemy účetnictví a reportingu udržitelného rozvoje a jejich aplikace na mikroekonomické úrovni).



Financing of Forestry from Public Resources in the Czech Republic

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Financing of Forestry from Public Resources in the Czech Republic

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- ❖ Introduction
- ❖ Political framework
- ❖ Institutional framework
- ❖ State and analysis of financing
- ❖ Conclusions



Czech Republic:

78 863 km² (7.886 mil. ha)

10.3 mil. inhabitants

Forests in 1990 – 2005:

Area: 2.629 – 2.647 mil. ha, 33.6%

(several thousand ha of abandoned agricultural lands)

Growing stock: 546 mil. m³ u.b – 663 mil. m³ u.b.

225 m³/ha – 259 m³/ha

Average rotation age: 112.4 – 114.7 years

Total mean increment: 17 mil. m³/year

Total current increment: 20 mil. m³/year

Removals: 15 mil. m³/year

Share of forestry in:

- **GDP: 0.6%**
- **Total number of employees: 0.6% – 0.7 %**
(share of generated working places: 5%)
- **Investments: 0.3%.**

Changes in Forestry :

- **A completely new state forest administration formed**
- **A new forest policy declared and Forest Act passed**
- **Private sector originated**
- **New structure of forest owners came into being**
- **New structure of state forest establishments administering state forest lands occurred**
- **Quite a new system of forestry financing gradually formed**

Forest ownership changes in the territory of the CR
(% of forest area)

Forest ownership	1990	2005
State	95.8	59.8
Municipalities	-	15.5
Co-operatives	4.1	1.0
Private	0.1	23.2

State forestland administered by:

- **State Enterprise “Forests of the Czech Republic” (51%)**
- **Military Forests and Farms (5%)**
- **National parks (4%)**

150 thousand private forest owners (3 ha on average).

Municipal forest owners (56.4% own less than 10 ha).



Subsidies (contributions)

Governmental financial obligations subject to the Forest Act (mil. CZK)

Activities	2000	2001	2002	2003	2004	Aver.
1) Soil reclamation and torrent control	125	125	124	91	57	104
2) Licensed forest managers	105	110	120	91	127	111
3) Forest management guidelines	33	29	29	29	19	28
4) Soil improving and stabilising species	12	11	11	10	10	11
Total	275	275	284	221	213	254

**Services provided by the government for forestry (mil. CZK)
(Subsidies influencing positively environmental aspects)**

Activities	2000	2001	2002	2003	2004	Aver.
1) Aerial liming and fertilising (polluted areas)	75	70	68	15	58	57
2) Airborne fire control service	26	15	15	14	14	17
3) Large-scale measure for forest protection	1	1	2	2	3	2
4) Consultancy	12	15	18	6	8	12
5) Other services	5	6	9	2	4	5
Total	119	107	112	39	87	93

**State Subsidies to forestry by purpose (mil. CZK)
(Securing public interests and supporting the environment)**

Activities	2000	2001	2002	2003	2004	Aver
1) Regeneration of air polluted forests	26	28	22	24	27	25
2) Reforestation and tending of stands	207	241	221	225	248	228
3) Grouping of small forest owners	3	4	4	4	4	4
4) Ecological technologies	18	23	21	26	31	24
5) Non-market forest services	179	45	32	8		53
6) Torrent control	43	1				9
7) Endangered species - wild animals	4	4	4	3	4	4
8) Forest management plans	82	2	79	65	70	60
9) Other subsidies	3	6	5	5	3	4
10) Programmes co-financed by EU	2	5				1
Total	567	359	388	360	388	412

Other Subsidies in 2000-2004:

(Securing public interests and positively influencing the environment)

- **Supporting and Guarantee Agricultural and Forestry Fund:**
 - interest rate subsidy: 13 – 37 mil. CZK
 - credit guarantee: 1 – 10 mil. CZK
- **Military forests: 57 – 66 mil. CZK**
- **State Environmental Fund: 7 – 126 mil. CZK**
- **Afforestation of abandoned farmland: 120 – 153 mil. CZK**
- **EU structural funds:**
 - Sectoral Operational Program, Multifunctional Agriculture and Rural Development (2004-2006)
 - Horizontal Rural Development Plan (2004-2006)

Profit of forest owners without / with contribution for forest management (CZK/ha)

Owner	2002	2003	2004	Average Profit	Contrib. EUR
State	247 / 406	47 / 205	243 / 356	179 / 322	4.8
Municipal	169 / 764	81 / 749	- 40 / 674	70 / 729	22.0
Private	433 / 953	722 / 1254	144 / 678	433 / 962	17.6
Average	277 / 586	213 / 534	177 / 479	222 / 533	10.4

1 CZK=0.03 EUR

Conclusions

- ❖ **Forestry financing needs substantial simplification and harmonisation (rather confusing and complex).**
- ❖ **Financing should be divided into 3 categories:**
 - **compensation of economic losses (from forest management restriction),**
 - **purchase of particular services by governmental or societal authorities,**
 - **production (market) function subsidies for securing sustainable forest management and innovations.**
- ❖ **Forestry financing outputs should be monitored not only in physical, technical units, but also in monetary values.**



Financing of Sustainable Forest Management – Overview of a Study Tour by a Russian Expert to Poland

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FOREIGN EXPERIENCE AND REFORMS IN THE FOREST SECTOR IN RUSSIA:

What elements of forest management and forestry of EU countries can already be used in Russia today?

1. **Establishment of competitive environment in forestry (via contractual organization of works)**
2. **Division of administrative and economic functions and establishment of new structures in forestry:**
 - 1) Lesnichestvo for executing state functions;
 - 2) State commercial enterprises for economic activities

What does it mean to implement market principles in forestry operations?

LESKHOZ
2007

Name of work	Unit	Volume
Forestry operations		
Tending of young stands	ha	276
Pre-commercial thinning	ha	80
	m ³	2500
Thinning	ha	138
	m ³	4700
Selective sanitary felling	ha	94
	m ³	3400
Fire safety activities		
Building fire safety barriers	km	71
Maintenance of fire safety barriers	km	147
Forest regeneration works		
Forest planting	ha	200
Management of planted seedling stands	ha	380
Growing of seedlings	1000	525

2008
Who is the
realizer of work
?

Forest Code of the RF, Art. 19

In case activities on conservation, protection and regeneration of forests located on lands owned by the state or municipality are not entrusted on persons that use forests, then state authorities **place orders for works on forest conservation, protection and regeneration by tenders in accordance with the procedures established in Federal Law of June 21, 2005 No 94 FZ**

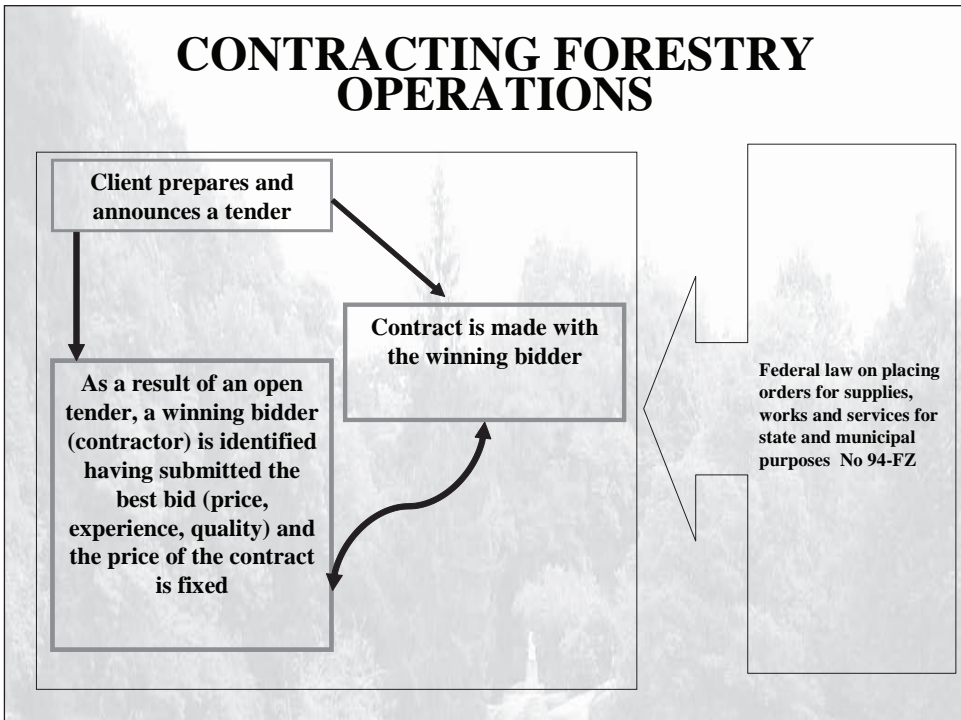
WHO IS THE REALIZER OF WORK?

LESKHOZ
2007

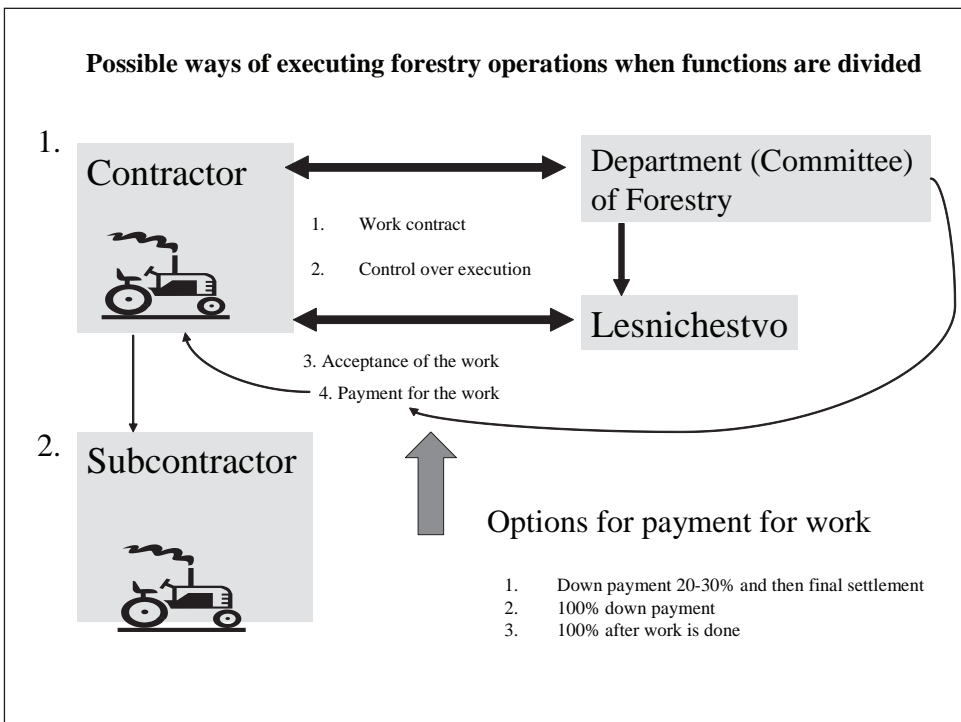
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Selective sanitary felling	ha	94
	m ³	3400
Fire safety activities		
Building up fire safety barriers	km	71
Maintenance of fire safety barriers	km	147
Forest regeneration works		
Forest planting	ha	200
Management of planted seedling stands	ha	380
Growing of seedlings	1000	525

2008
CONTRACTOR

CONTRACTING FORESTRY OPERATIONS



Possible ways of executing forestry operations when functions are divided



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