Reflections on Lithuanian forest policy research from policy makers‘ perspective

Dr. Nerijus Kupstaitis,

Head of Forestry Development Division,
Department of Forests,
Ministry of Environment

Basics of Lithuanian forests

Forest land area - **2.18 mill. ha**
Forest coverage - **33.4%**

Forest area per capita - **0.74 ha**

Growing stock volume:
total - **521 mill. m^3**
average - **249 m^3/ha**

Annual increment - **18.2 mill. m^3**

Mature stands (for wood supply):
area - **434 000 ha**
volume - **140 mill. m^3**
323 m^3/ha

Annual harvest (stem volume)
~ **9.0-9.5 mill. m^3**

Data and Design: **State Forest Service**

Forest ownership

Private forests

866 000 ha

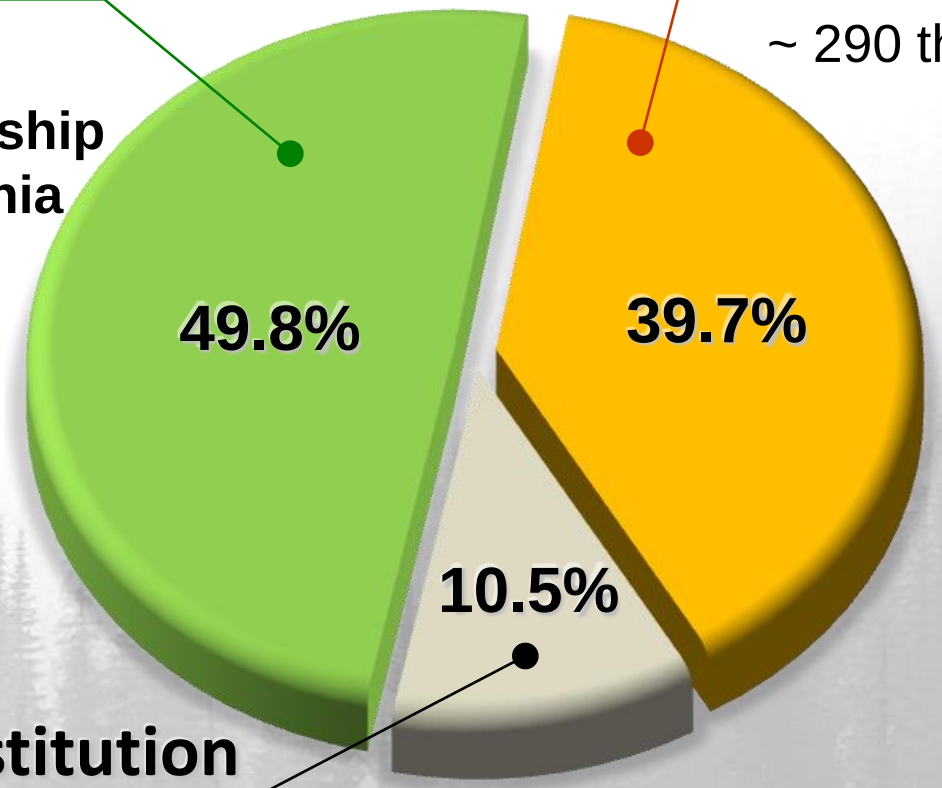
~ 250 thousand owners

~ 290 thousand parcels

Forests of state importance

1 085 000 ha

in exclusive ownership of Republic Lithuania



State forests reserved for restitution

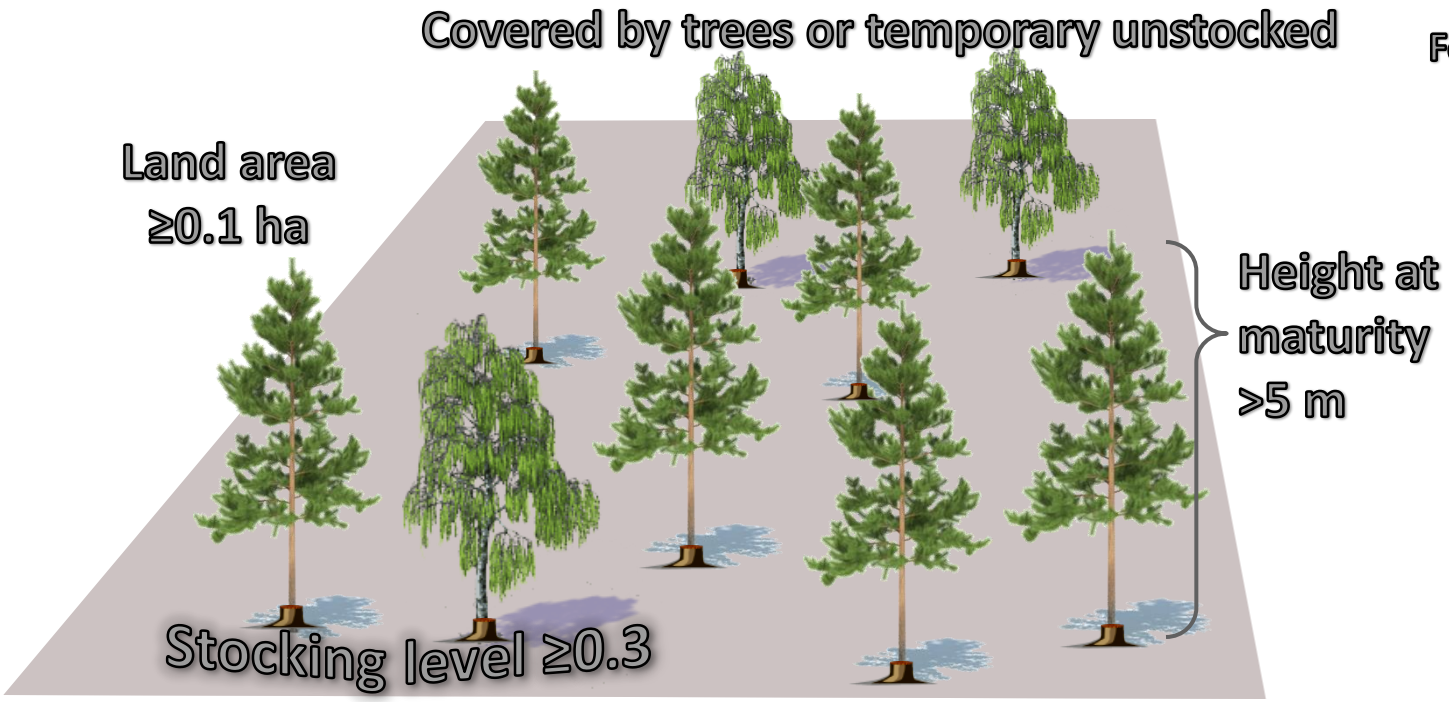
229 000 ha

partial management only

Data and Design: **State Forest Service**

Legal framework: Law on Forests

Forest definition



Forest land also includes:

- forest roads, routes
- technological and block lines,
- firebreak belts,
- wood yards,
- forest nurseries,
- forest seed orchards,
- recreation and landscape sites,
- game feeding places,
- plantations (of raw material),
- land for afforestation,
- etc.

Not a forest:

- *single trees or in groups,*
- *tree lines <10 m in width,*
- *plantings at road or railway,*
- *urban parks.*

Data and Design: **State Forest Service**

Institutional framework

MINISTRY OF ENVIRONMENT
of the Republic of Lithuania

Forest Department

General Directorate of State Forests

42 State Forest Enterprises

State Forest Service

8 Territorial Units

Other Institutions
(with specific responsibilities)

- State Service of Protected Areas
- Forest Management Planning Institute

Forests: State importance (50%) Reserved for restitution Private (40%)

Data and Design: **State Forest Service**

Socioeconomic importance of forests

Forestry and forest industry (forest sector) are important branches of Lithuanian economy

- forest sector generates about 4.5% (~1.4 billion € value added) and forestry – about 0.6% (~190 million € value added) of the Lithuanian GDP;
- forest sector employing ~60 000 pers. or about 6% of total employment in the country is an important labor market;
- consumption of fuelwood (incl. cutting and industry residues) for energy production reaches ~4 mill. m^3 yearly (about 12 % of total country's fuels and energy consumption)

Data and Design: **State Forest Service**

Main national forest policy decisions (since 1990)

Restitution of forests (restoring the ownership situation of 1940)

- creation of small-scaled private forest sector
- competition in roundwood supply

Use of market-based economy in forest management

- profit making state forest enterprises
- market-based roundwood prices
- private companies in management of forests

caused by national political decisions from outside the forest sector:

- to return the land ownership to individuals
- to create market-based economy

Afforestation of abandoned (former agricultural) land

- further increase of forest coverage
- rational use of abandoned land

coming from the soviet time forest policy

No new significant forest policy decisions coming from the inside

National forest policy research (applied)

- Few studies on improvement of governance of state forests ← No results in policy decisions
- Few studies related to National Forest Programme ← Some results
- Few studies on legal regulation of (private) forest management ← Some minor results
- Studies on improvement of advisory services for private forest owners ← No results
- Not even one significant study on financial regulation of forests ← Ungrounded policy decisions
- …?

Clear lack of interaction between forest policy research and policy makers

Lithuanian examples of non-research-based forest policy

1st example: Creation of **poor private forest sector** as a result of ownership changes in forests and forestry during last 25 years

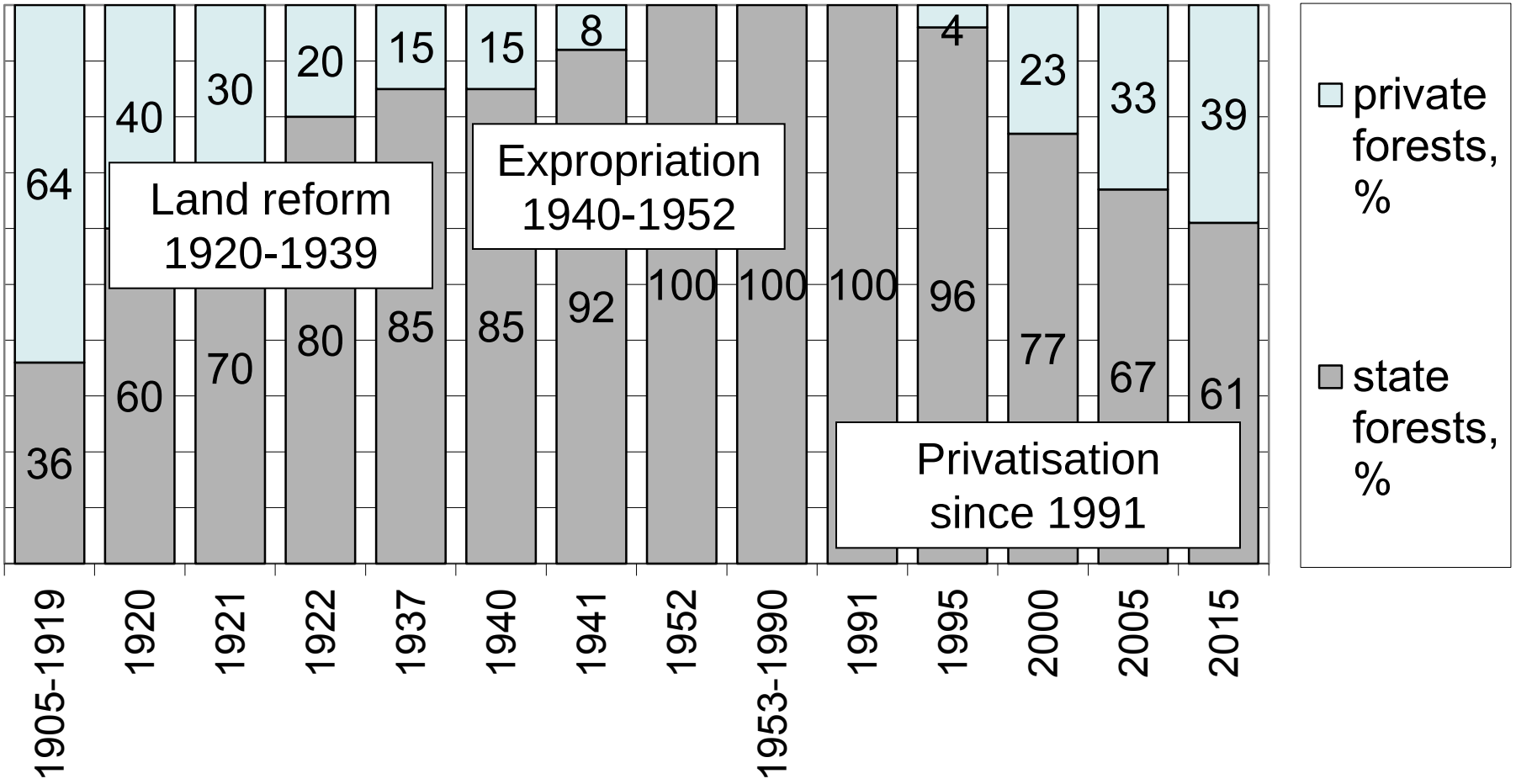
2nd example: Changes in **governance of state forests – no real improvement** after 1996-2001

3rd example: **Financial regulation** of forest management – permanent **increase of the tax burden** without any research ground

1st example:

Ownership changes in forests and forestry (1)

Historical background of private forest ownership in Lithuania



1st example:

Ownership changes in forests and forestry (2)

Preconditions for private forest sector **in 1991**:

- ✓ only small-scale private forests (up to 25 ha) after land-reform 1920-1939
- ✓ no private forest (and land) ownership at all at the soviet time (1940-1990)
- ✓ no practical experience in management of private forests
- ✓ bad experience of collective farming during soviet time (kolkhoz, sovkhoz)
- ✓ strong sector of state forestry since 1922

Private forest sector today:

Small and fragmented private forest holdings (in average about 3,4 ha per owner, 2,9 ha per parcel)

☹ Almost <u>no cooperation</u> in forest management (0,05 % of owners)

☹ <u>Lack of interest</u> in forest management and insufficient <u>knowledge</u> by the biggest part of forest owners (only 10-20 % of owners perform some activities)

☹ <u>Strong regulated</u> and <u>over-controlled</u> even the insignificant activities of forest owners (no liberty to decide – no sense of responsibility)

1st example:

Ownership changes in forests and forestry (3)

Preconditions and opportunities for development of economically efficient and competitive Lithuanian private forest sector given from outside the forest policy are utilised not sufficiently

Why?

All the forest policy decisions in this field were oriented to the "needs of forests" (mainly conservation of forests) and not to the more complex "needs of society":

- forest owner has been seen as an enemy of the forest, not as the responsible decision maker (that was prevailing understanding between policy makers and foresters)
- absence of critical mass of those thinking differently (week organizations of private owners, exaltation of environmental protection over all, strong antagonistic sector of state forest management, no support from forest research, etc.)

1st example:

Ownership changes in forests and forestry (4)

To change the situation and to build economically efficient and competitive private forest sector in Lithuania

completely **new** and well grounded (by the forest research) **conception of state regulation of private forestry** is needed:

- essentially reduced regulation of forestry activities
- revised institutional framework
- revised economic regulation
- enhanced advisory service
- etc.

Stakeholders discussion on the national level about this new conception started in February 2016 (review of NFP)

New chance and **opportunity for** coordinated and extensive **forest policy research** at the national level

2nd example:

Changes in governance of state forests (1)

Transition from the planned economy to the market economy:

- Separation of policy-making and management coordination activities
  - establishment of **General Directorate of State Forests** (1996) *new institution*
- Implementation of self-financing principles in State Forest Enterprises
  - SFE – profit-making state owned companies (42) since 2001
- Striving for efficiency of work at all levels of governance or management

Research based attempts to improve governance of state forests <u>by reducing the number of institutions/ state owned companies</u> failed in 2006, 2009, 2015

Management system of state forests in Lithuania resists any institutional reform since 1996-2001 (status quo: General Directorate of State Forests and 42 State Forest Enterprises)

2nd example:

Changes in governance of state forests (2)

Some "results" of resistance:

- In 2015 exact number of 42 SFE was fixed in the Law on Forests (obstacle for institutional reform)
- High administrative costs in SFE
- Insufficient resources for large investments
- Worsening economic situation in SFE (especially in 2015)
- Low and uneven salaries of foresters in SFE (below national average in 2015)

External factors:

- One enterprise or other type of entity for management of state forests is a common practice of efficient governance in many European countries
- OECD recommendations for Lithuania (2015) includes a proposal to consolidate 42 SFE within the sector in order to achieve high standards of governance and transparency

Clear **need for research-based forest policy decision** at the national level

3rd example:

Financial regulation of forest management

Increasing the forestry specific tax burden (in addition to common tax system) without any research ground:

- Since **2001** – for SFE: **5 % deductions** from the timber sales' revenues for the common forestry needs
- Since **2009** – for SFE: **additional 5 % deductions** from the timber sales' revenues for the common needs of state budget (a temporary "crisis tax")
- Since **2010** – for SFE: **increasing** of "crisis tax" **to 10 %** (valid also in 2016 – from temporary to permanent!)
- Since **2012** – for SFE: **additional payment** of 50 % of profit to the state budget (income of state as the owner of the property)
- Since **2015** – for private forest owners: **5 % deductions** from the timber sales' revenues for the common forestry needs

No research done **on** possible or real **impact** of the additional taxes to the forest, forest management, state or private forestry sectors

Needs and opportunities for improved forest policy research

The examples given show **clear need for**

- better coordinated, extensive and improved forest policy research at the national level (at least in Lithuania)
- enhanced interaction and collaboration between improved forest policy research and decision makers (with expressed pro-active position of the researchers)

There are **increasing opportunities** for forest policy research on national and international level (also for Lithuanian forest researchers):

- in the frame of Lithuanian National Forest Programme
- in the frame of international research projects, like ERA-NET project (call for joint research on 21st March 2016)

Thank you!

nerijus.kupstaitis@am.lt, +370 5 2728289