

Implementation of the New Russian Forest Code: Regional perspectives: Khabarovsk, Primorskiy and Krasnoyarsk Krays

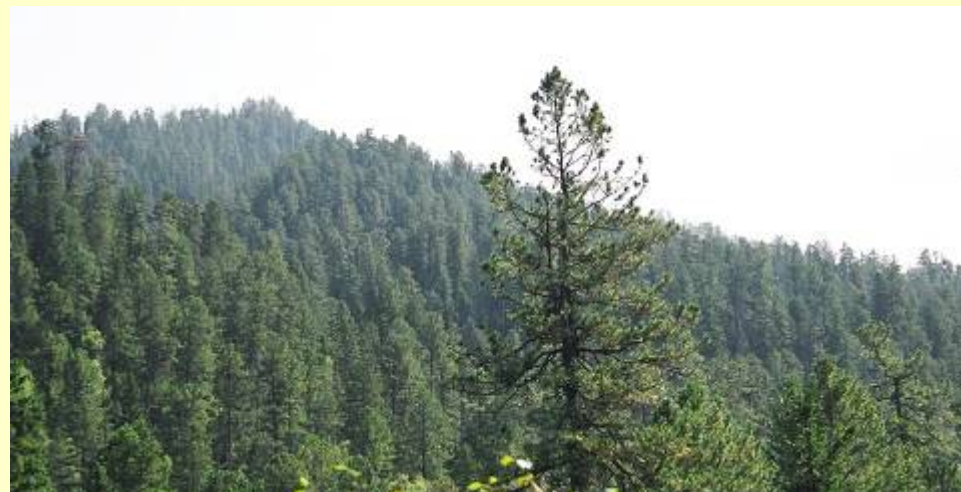
Mikhail Karpachevskiy

Центр охраны дикой природы

Biodiversity Conservation Center

forest@biodiversity.ru

Forest Trends



www.biodiversity.ru

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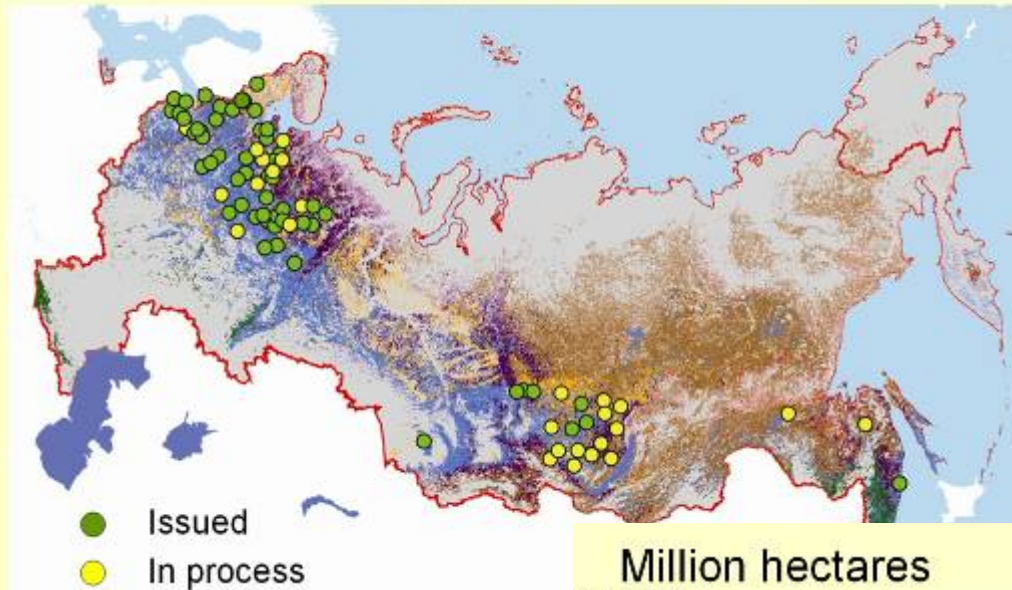


Russian non-governmental conservation organization
since 1992, based in Moscow

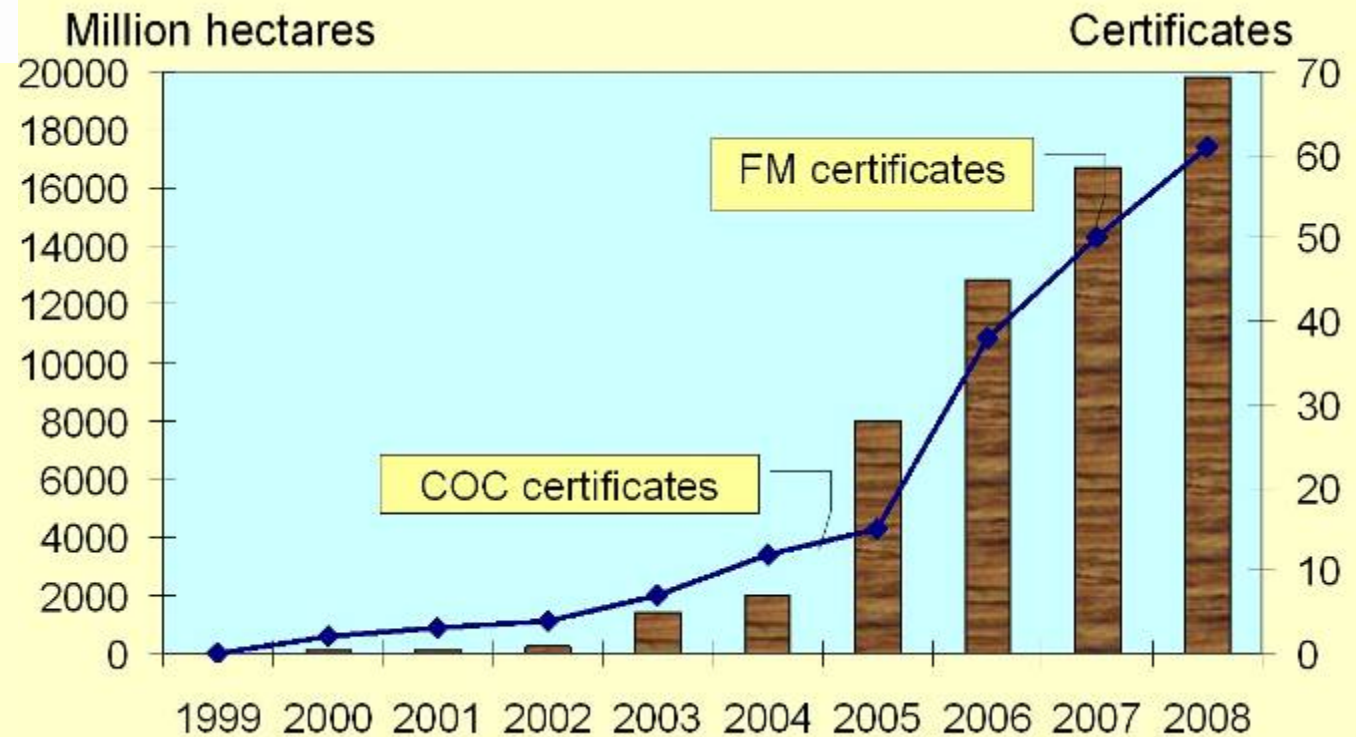
- ✓ Member of the Public Ecological Council at the Federal Forestry Agency of the Russian Federation (Rosleskhoz)
- ✓ IUCN member since 1998
- ✓ Participant of Taiga Rescue Network since 1998
- ✓ Global Forest Watch partner since 1998

BCC promotes sustainable forestry in Russia through:

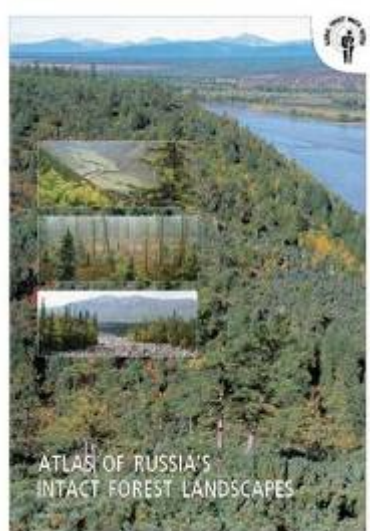
FSC forest management certificates in Russia



Assisting voluntary forest certification development



Mapping of high conservation value forests



Participating in legal forestry policies development

- ✓ Work through the Public Ecological Council at the Federal Forestry Agency of the Russian Federation (Rosleskhoz)
- ✓ Participation in a Forest Trends pilot project

Forest Trends



Forest Trends is a US-based non-governmental organization:

- ✓ Over the past 6 years, Forest Trends has worked with several leading eastern Russian researchers to help document the impact of Russia's forest products trade with China – on the economy, environment and society on both sides of the border.
- ✓ Forest Trends has worked with Russian and Chinese stakeholders to identify how responsible trade and investment policies can foster sustainable forest sector development on both sides of the border -- with positive contributions to local economies and livelihoods.
- ✓ Forest Trends hosted an international workshop on Sino-Russian timber trade in August 2006

New Legislation on Forests

- ✓ New Forest Code, enacted January 1 2007
- ✓ Old Forest Code (1997), partly effective until January 1 2009
- ✓ Federal Law on Enactment of the Forest Code (regulate norms of transitional period), enacted December 8 2006.
- ✓ Federal Law #217-FZ that modified the law on Enactment of the Forest Code, enacted July 31 2007.
- ✓ Other laws referring to forest management that were changed (Law on the Federal Budget, Water Code, Law on Governmental Procurements)
- ✓ Law on Transferring Lands from one Category to Another,
- ✓ Up to 70 forestry administrative regulations.
- ✓ Other regulations (custom fees, land cadastre, phytosanitary certification etc.)
- ✓ Regional-level administrative regulations (mainly regulate the use of forest for personal needs)

Major Changes to Forest Management

- ✓ 15 forest uses, including that for infrastructure development
- ✓ Mortgage and sublease of forest areas are possible
- ✓ Lease-holders are fully responsible for forest management at leased areas
- ✓ Timber permits by forest management authorities to be replaced by forest declarations by lease-holders
- ✓ Making forestry regulations, restricting forest management and conducting national forest inventory remained at the federal level
- ✓ Routine forest management responsibilities transferred to regions (except for Moscow region)
- ✓ Federal forestry authorities control how the regions manage their forests
- ✓ Regional-level state forest management units (lesnichestvo) cannot do management operations (silviculture, salvage logging)
- ✓ All management operations are done only based on tenders (auctions)
- ✓ Profits from forest management go to the federal budget, money for forest management go to regions (subventions) from the federal budget

Pilot Study of Eastern Russia's Regional Response to Changes in Russian Forest Sector Legislation and Governance

Objective of the research:

- ✓ To identify how the new Russian Forest Code and its associated directives are being interpreted and implemented in Eastern Russia
- ✓ To clarify the long-term implications for forest production, investment, the environment, and local economies, including forest sector relations with foreign operators and investors in the region.
- ✓ The findings, review, and discussion of this preliminary regional assessment will inform the design of a template for continuing and expanded assessment and monitoring of regional responses to federal forest sector legislation and directives.

There were 3 pilot study regions in Russia

Pilot regions:

Irkutsk Oblast

Krasnoyarsk Krai

Khabarovsk Krai



Methodology of Research

Each regional study was conducted by a recognized regional forestry expert, in accordance with the Regional Study Questionnaire to:

- ✓ Identify main economic, environmental and social issues of regional concern under the new legislative and governance system, for forest sector operations, trade, investment, environment, and forest-dependent communities.
- ✓ Assess how the new Code and associated directives are being interpreted and implemented in the region

Interviews were conducted with participants in the regional forest sector to address issues presented in the Study Questionnaire, including representatives and regional experts from:

- ✓ Regional and Municipal Governmental representatives
- ✓ Regional and District Forest Service representatives
- ✓ Practitioners in forest operations (public and private; harvest, both based on lease and timber sales contracts, processing, transportation, trade, or investment operations)
- ✓ Regional Forest Research Institutions or Economic Research Institutions
- ✓ Representatives of environmental NGOs

I. Regional Interpretation and Expected Impacts of Forest Code

- a. What are the main changes
- b. Expected impacts for the region?
- c. How has the region responded? Include any concrete data /policy changes to illustrate.

A. Governance, Control, and Supervision in the Regional Forest Sector

B. Forest Sector Economic Issues

C. Forest Sector Environmental Issues

D. Local Community Economies, Livelihoods, and Social Relations

E. Russian Forest Sector Relations with Foreign Trading Partners

F. Export Tax on Round Logs

II. Summary of Regional Responses to Federal Forest Code and Forest Governance Reform

Preliminary Assessment of Code/Directives Reforms

- ✓ What are the obvious gaps in legislation and procedures?
- ✓ What is good/bad in the new regulations?
- ✓ What's been lost as part of the reforms? What is urgently needed?
- ✓ What is preventing the implementation of the new legislation?

III. Moving Forward

- ✓ How can regions, business, and industry engage in the economic and environmentally sound development of forest sector operations, trade, and investment in Eastern Russia?
- ✓ Suggestions on how to actually monitor the impacts of regional response?

General Situation with the Forest Reforms

- ✓ The regions received too many responsibilities, but too few rights
- ✓ Financing of state forest management from the federal budget remained too low
- ✓ Gaps in legislation and the presence of contradictive, non-implementable, discriminative or even harmful requirements provoke timber companies and people to ignore or violate laws and lead to higher corruption
- ✓ New changes in legislation are expected, deadlines for introduction of some requirements will be possibly postponed, so creating uncertainty
- ✓ A lot of paperwork still to be done by regional authorities (developing of regional master plan and FMU forest management plans) before the regional forest management systems start to operate in normal regime
- ✓ A lot of paperwork shall be done by private timber businesses before they will be able to work under new requirements, although they hope for new deadlines and expect more changes in legislation
- ✓ After 1,5 year of the reforms the impact on new forest management requirements cannot be checked on the ground

The Federal Forestry Agency's assessment of how Russian regions implement responsibilities transferred to them as of January 1 2008:

Establishment of new forest management units (lesnichestvo and lesoparks instead of leskhozes)	98%
Reforming old FMUs by excluding their operative management parts, including establishment of state-owned enterprises (GUPs)	91% 48%
Tenders for silvicultural works and timber sales	51%
Updating long-term lease agreements	9%
Tenders for development of regional master forest plans and FMU managements plans	70%
Allocation of harvest areas for 2008	62% of AAC
Development of administrative regulations by regions	78%
Establishing of special entities for maintaining forest register	0,5%

Key issues according to the Federal Forestry Agency

- ✓ New FMUs (lesnichestvo and lesoparks) do not have control functions (cannot control and inspect over forest operations)
- ✓ Documents that could certify the legality of timber are absent
- ✓ Legal punishment for criminal violations in timber harvesting and trade is too soft
- ✓ Some valuable timber species whose harvesting is legally prohibited (chestnut, linden, Siberian and Korean stone pines etc.) can be illegally exported through customs
- ✓ Procedure for assigning protective forest categories is lacking
- ✓ Not all issues related to the use of forest resources are clarified

Key issues according to NGOs, researchers, businesses

- ✓ Lack of restrictions to ensure de facto preservation of protective forests against commercial harvesting, housing and privatization.
- ✓ Conserving non-sustainable extensive forestry model that relies on the limitless area of exploited forests (lack of stimuli for switching to intensive forestry model)
- ✓ No mechanisms for public involvement in forest management planning or for preventing from occurrence (halting) of operations that violate citizens rights or damage resources essential for them
- ✓ Local people that live from the use of non-timber forest products face the situation when such activity is considered as entrepreneurship and have obstacles for collecting firewood for own needs.
- ✓ Forest management reform, priority being given to big businesses at the cost of small businesses and auction system of granting access to forest resources will promote higher unemployment in rural areas.

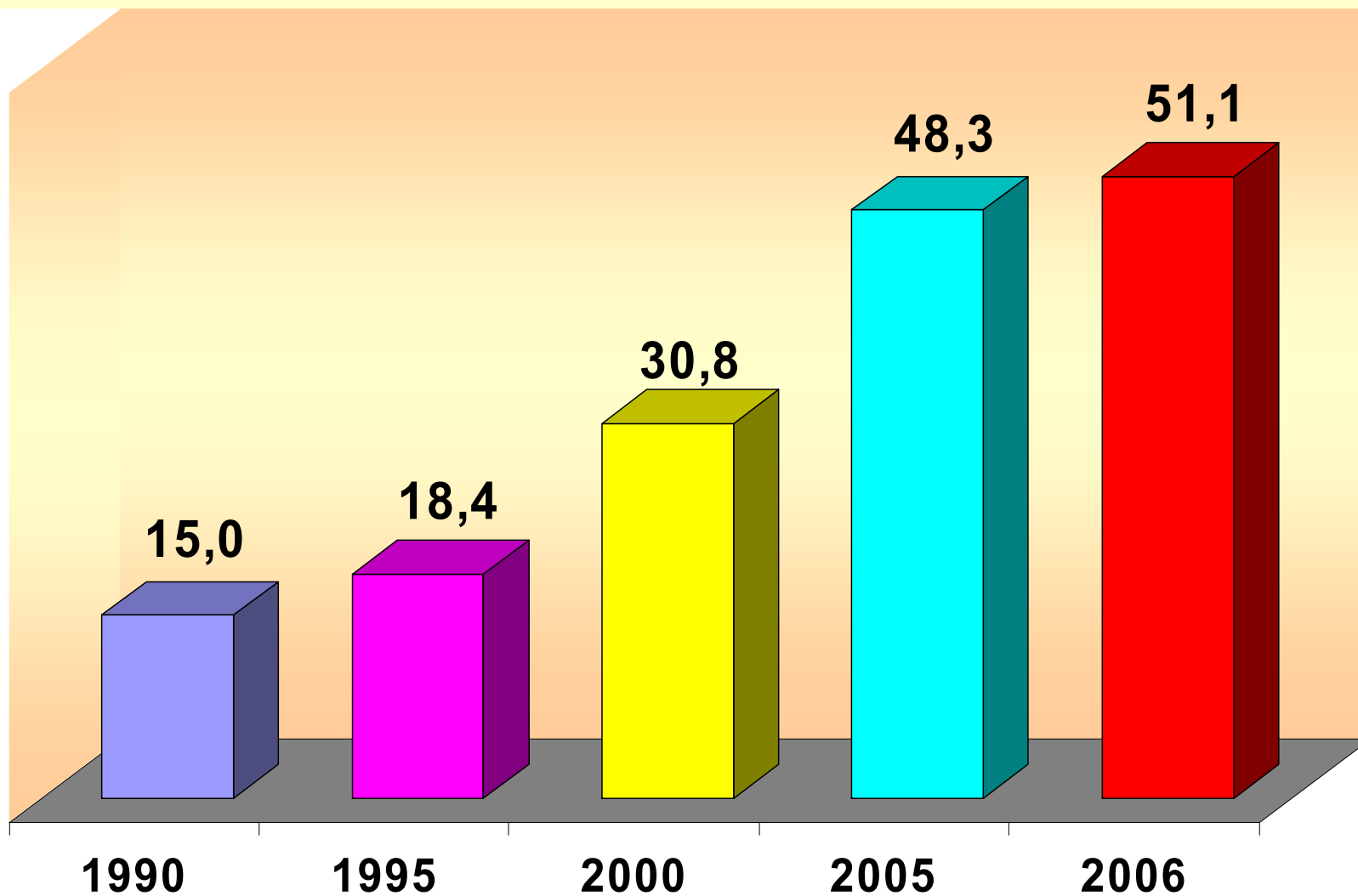
Key issues according to NGOs , researchers, businesses

- ✓ No effective legal grounds for fire management – decentralized system does not work
- ✓ No effective legal grounds and system for forest protection against illegal harvesting, illegal logging will move closer to villages.
- ✓ Infeasibility of timely updating all lease agreements and respective forest management plans
- ✓ No legal mechanisms for resolving conflicting uses by different leaseholders at the same forest area
- ✓ Lack of clarity concerning update of old lease agreements and requirements to forest management
- ✓ Unclear legal status of some forests (former agricultural forests)

Roundwood Export Fees increase

- ✓ Since January 1 2008 г. by 20%
- ✓ Since April 2008 by 25%
- ✓ Since January 1 2009 by 80%
- ✓ This will means that legal export of roundwood will stop to exist

Roundwood export from Russia, million cbm (NIPIEllesprom)



In 2007 25.4 million cbm roundwood was exported only to China

The revenue per cubic meter of exported timber product, USD (NIPIEllesprom)

Belgium	-	980.0
Italy	-	400.0
Austria	-	363.6
Germany	-	293.6
Finland	-	234.5
Sweden	-	215.7
France	-	212.7
Canada	-	148.0
Russia	-	46.1