



## Safeguarding forest resources during the transition to a market economy

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*The risks of overexploitation of forest resources in countries of Central and Eastern Europe during the transition from centrally planned to market economies.*

Forest resources, in addition to their many other functions, are a source of economic capital. Moreover, if properly managed, this source of capital can be perpetual. It is an unfortunate fact, however, that in times of general economic crisis forest resources have often been drawn on at a rate that exceeds their ability to renew themselves, i.e. in a manner incompatible with the principle of sustainability. Many of the countries of Central and Eastern Europe that have embarked on the transition from centrally planned to market economies currently find themselves in a high-risk situation in terms of their forest resources. In the past, management of both forest resources and forest industries was the direct responsibility of the state, but sweeping changes are occurring on both fronts.

In most of the countries in transition, the forest industry sector is being privatized in an attempt to increase the efficiency, productivity, capacity and competitiveness of the industries. However, it appears that, in many countries, the privatization of forest industry is occurring in isolation from forestry. Increasing the capacity of the forest industries will increase the demand for raw material and, in the face of economic recession, governments (still the major forest owners) may be tempted to draw excessively on forest resources to obtain badly needed capital for investment. There were examples of this practice even before the onset of the transition towards market economies. Cost-benefit calculations of the consequences of excessive capital (wood) withdrawal from forests could reveal that the costs of forest resource rehabilitation are higher than those associated with borrowing capital for needed investments.

The raw material demand of forest

industries is determined by the demand for its products, by its capacity and by the availability (and price) of the raw material. Governments should “guide” the development of forest industry capacities in their countries to ensure the stability of the sector and thereby promote the stability of the labour market and the economy as a whole. The isolated development of excessively high forest industry capacities could result in destructive competition, unsustainable utilization of national forest resources or too high a dependency on imports.

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By 1994 the countries of eastern Europe had abandoned centrally planned economies following the destruction of the Berlin Wall in 1989, but had still to adapt to the market economy and to restore property to its former owners – and to address impacts on forests.

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Governments also have to realize that the forestry sector is itself in need of investment, especially during the period of transition, for the preparation of an adjusted framework for sustainable forest management. But investment capital is in short supply. The privatization of industrial sectors – including forestry – that were formerly owned and managed by the government has resulted in a decrease in the revenue with which forest administrations were financed. This gap is only partially being filled by taxes imposed on forest industry and its products, and these taxes often are not devolved appropriately to forestry.

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The situation is further complicated in that the ownership structure of forest resources in some countries in transition is also changing with unprecedented speed. Primarily as part of claims for the restitution of land or other goods nationalized by the state under the previous regimes, large numbers of very small tracts of forest land are being privatized. Unfortunately, the framework for ensuring sustainable forest management of these small private holdings is not in place.

The personnel of government forest administrations were educated and trained in the management of public forests only. Policy and legal frameworks have not, or have only partly, been adjusted to the rapidly changing ownership situation. Forest management plans do not exist for the new forest estates and, in their absence, the owners, also desirous to obtain an immediate return from their property, may be tempted to harvest their forests excessively. Forestry extension services with trained personnel to support, advise and train new, private forest owners are often merely in the process of being considered.

During the transitional period, special measures need to be designed and implemented to mitigate the negative effects of the non-existent or only partially existing framework for sustainable forest management. In some cases, the proclamation of a "state of forest emergency" at the highest political level might even be justified. A less dramatic solution would be to declare the existence of an approved forest management plan as a precondition for any activities in forests, thereby temporarily "freezing" harvesting in forests for which an appropriate plan does not exist. Some countries in northern Europe require the deposit of a reforestation or regeneration "bail" as a condition for the granting of permission to harvest forests.

The success of this type of measure will, of course, depend on the effectiveness and intensity of monitoring and

control. All concerned government agencies (forest administrations, nature conservation and law enforcement agencies/institutions etc.) and non-governmental organizations should collaborate closely to streamline forest conservation efforts, to overcome personnel shortages and to avoid an unnecessary loss of energy through institutional friction. Governments should offer an incentive package to the private forestry sector as an integral part of the regulative scheme, possibly including assistance in the preparation of forest management plans, the provision of management advice, short-term tax relief, the provision of free seedlings for reforestation, etc. At the same time, governments must ensure that no double standards are applied; the management of state forests has to act as a "shining example".

#### CONCLUSION

The profound political, social and economic changes in the transitional countries of Central and Eastern Europe must not be allowed to have a permanent negative impact on the multiple functions of forests. The forestry and forest industries sectors need to adapt to the new political, social and economic environment by ensuring that an appropriate framework for sustainable forest management and use (policies, legislation, management plans, investment, well-trained human resources, etc.) is in place, before on-the-ground decisions are taken. The development of the forest industry sector has to be harmonized with and paralleled by forestry sector development in general. Moreover, special measures may be needed to ensure the conservation and sustainable use of forest resources during the period of transition.

The utilization of existing government budget provisions for the forestry sector may need to be reviewed. For instance, large-scale afforestation of marginal agricultural land, being undertaken to adjust agricultural production to the demand of the European market, may

need to be allocated a lower priority in favour of efforts to secure the conservation of existing forest resources. Some forest administrations own real estate other than forests; consideration could be given to selling some of this to raise investment capital.

Finally, given the increasing recognition of the multiple benefits of sustainably managed forests (clean air, clean water, recreation, maintenance of biodiversity, protection of the land base for agricultural production, etc.), it would be appropriate to place forestry higher on the overall sectoral priority list, with an increase in its share of government budget provision. If necessary, governments should also consider taking out loans to finance the sustainable development of forestry and forest industries; the interest-associated costs would almost certainly be lower in the long term than those resulting from the need to restore or reforest forest lands that have been excessively or improperly utilized. ♦