

# FOREST POLICY REFORM OF RUSSIAN FEDERATION

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## INTRODUCTION

Revised Forest Code of Russian federation was passed Duma in December 8th, 2006 and came into force from January 1, 2007. Deliberation process of the Code was in turmoil for years, but at the last stage Putin administration rushed to promote passage of legislation. Ministry of Natural Resources and Forest Agency, which are competent authorities for forest policy and management, could neither prepare related regulation and orders nor organizational structure which implement revised Code at the time of enforcement. During year 2007, related regulations and orders have been established, and the reorganization of forest administrative system was almost completed in the beginning of 2008.

Revision of the Forest Code and reformation of organizational structure of forest administration were full-fledged and its impact of forest management and use of forest resources is expected to quite large. This report is aimed to analyze the current state of reformation, its historical significance and possible result of the reformation.

## FUNDAMENTAL DIRECTION OF REVISION OF FOREST CODE

Fundamental direction and background of the policy reform was considered as follows.

Firstly, forest land and resources was kept as federal ownership, and privatization of the ownership was fundamentally not admitted. In 2004, draft code was submitted to Duma which opened the private ownership of forest. Reason that the Government try to open the private ownership is as follows; to achieve consistency with Land Codex which allowed private ownership, to respond request from timber industry. However, there were strong opposition from the public and the government withdrew this version of draft. Most of the people are not familiar with large scale private ownership, and anxious that private land holder might bargaged out public forest use, so they express strong distaste for privatization of forest. Russian government also did not open the ownership of local government. It is considered that the government intended to hold decisive power to forest policy and management through ownership.

Secondly, forest administration system was decentralized and most of forest management authority was delegated to local government. Local forest management system was also transferred to local government. Putin administration has been worked to construct centralized administrative framework to restructure governing system, and diminish authority of local

government. Popular election system of governor was abolished and governor is now appointed by the President. It is considered that with completion of centralized system, Putin administration allow decentralized forest policy system to establish local based and effective forest management and use.

Thirdly, forest administration was reorganized to separate by functions. Putin administration has policy to separate economic and administrative function, and economic function should be implemented by private sector. Based on this concept, forest management operation – regeneration, tendering, thinning and so on – was categorized as economic function, and ordered to be separated from forest management body. To attain this goal, leskhoze was reorganized to new structure. Most of the staff of leskhoze were dismissed, and only small number of them were employed by newly established “lesnichestvo”, which is pure administrative body for forest management. About half of dismissed staff was employed by newly established national forest operation companies, and the balance will completely lost their job.

Fourth, governing intervention to forest use was minimized; assignment of logging lot was simplified, and lease right is “commercialized”. Concerning simplification of the assignment, logging permission ticket was abolished, and lease holder could implement logging activities under approved development plan without getting individual logging permission. Concerning “commercialization” of lease right, revised code does not restrict transfer of lease right, and Russian government endorsed the liberalization of sublease and settlement of mortgage to lease right. Minimization of government intervention will result enlargement of the right of leaseholder, and make their forest use activities easier. At the same time, the revision also enlarges duty of lease holder, and obliged to carry out forestry operation and forest fire prevention work. These reforms were considered to intend to screen out small scale company and to promote large scale company, which could responsibly manage leased forest.

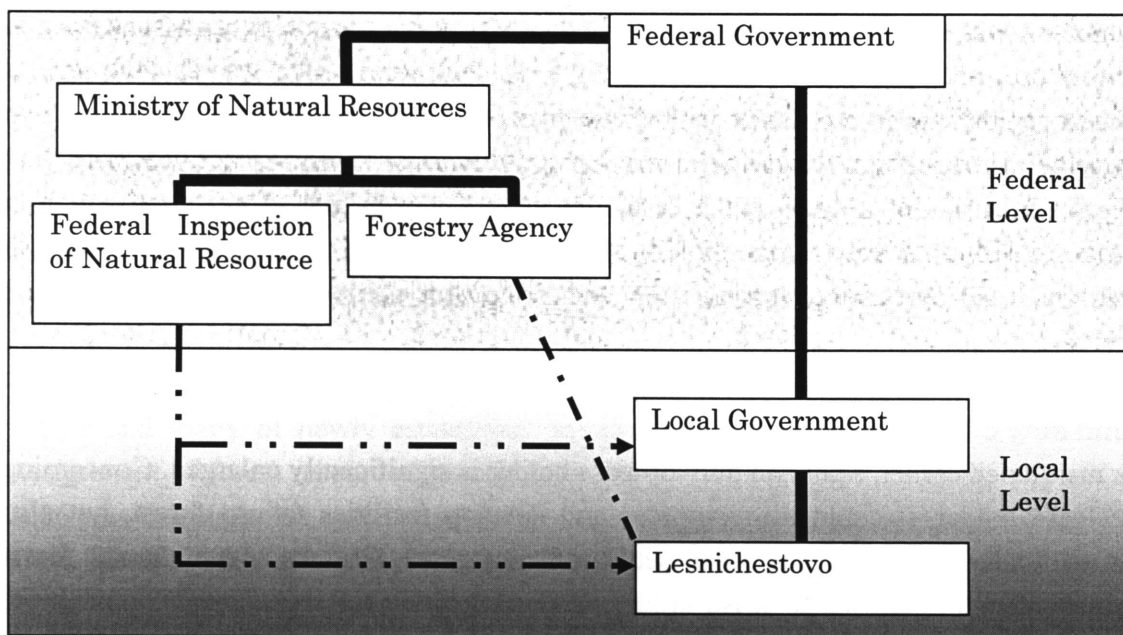
## **MAJOR CONTENT OF THE REFORM**

### **Distribution of authority of forest policy and management**

As mentioned earlier, many of forest policy and management authority was delegated to local government. Fundamentally, federal government is responsible to constitute legal framework and local government set concrete policy and management direction and implement forest management. According to this direction, local forest management was transferred from Federal Forest Agency to local governments. Figure 1 showed organizational structure as of January 1st, 2008.

At the Federal level, Ministry of Natural Resources (MNR) is responsible ministry for forest policy and establish institutional framework. Forest Agency is subordinate agency of MNR and responsible to establish institutional framework for federal forest management and

to implement monitoring and national inventory. Federal Inspection of natural resources is responsible to inspection of compliance to federal laws and regulation.



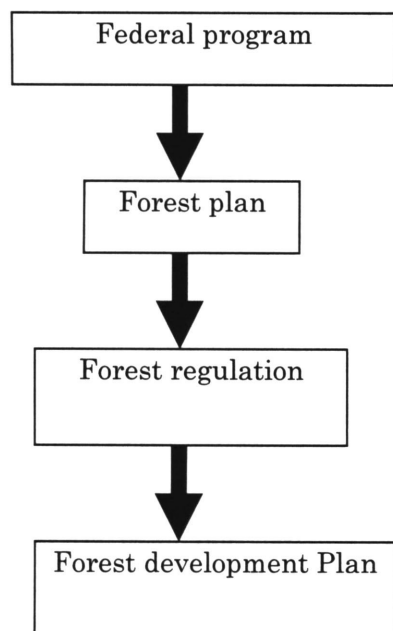
*Fig 1 Organizational structure of forest administration in Russia*

Local government is responsible to make forest plan and distribute right to use forest. Lesnichestvo carry out field level forest management organization under supervision of local government.

### Assignment of forest lease

Forest leaser is assigned through auction. Auction is organized by local government, but in detailed procedure is determined by Federal Government. Under the former system,

successful bidder was determined based on not only bidding price but also proposal of contribution for local economy and so on. However, it is considered that there were risk of arbitrary administration and corruption. Revised Code clearly defined that successful bidder is decided only by auction price.



Forest planning system  
As shown in Fig 2, forest planning system consists from

*Fig 2 Forest planning system*

four stages. Federal government is responsible to establish Federal forest policy and program, which set fundamental direction of forest policy and management in the Russian Federation. Forest plan is made by local government and approved by federal government. Local government should define current conditions and use of forest resources, and fundamental direction of use, protection, and regeneration of forest resources. Each lesnichestvo should make forest regulations in consistent with forest plan, and local government approves it. In forest regulations, regulation for use, regeneration and protection should be defined in 10 year term. Lease holder is obliged to make forest development plan and to get approval from lesnichestvo. With this plan, lease holder should describe plan to use forest resources permitted by lease agreement, regeneration and protection method, wildlife conservation measures and so on.

### **Right and duty of lease holder**

As mentioned earlier, right and duty of lease holder is significantly enlarged. Concerning right of lease holder, it could use resources and develop facilities to use forest, but also allowed to underlease, sublease, and settle of mortgage. On the other hand, forest management duty is imposed to lease holder. It should carry out regeneration, protection, tendering and fire suppression operation to forest, and develop fire prevention system.

## **HISTORICAL SIGNIFICANCE OF THE REFORM**

Table 1 showed historical development of forest policy framework.

Under the Soviet regime, forest was owned by USSR government, and policy, management and use of forest was centrally controlled. After the collapse of USSR, major issue of reform in forest policy was as follow;

Define ownership of forest resources

Define authority of each administrative organization and separate administrative and other function

Transfer to market economy; Privatization of lespromkhoz, Create market based forest assignment system

Concerning 1st point, ownership of forest was kept as federally ownership. As there are strong opposition from the public towards private ownership, introduction of private ownership is quite unlikely in near term.

There have been frequent reform concerning for 2nd point. Under Elytsin administration, decentralization was carried on to strengthen government base through support from governors. Forest policy framework was also decentralized, and local government became played important role for forest policy and management. However, Putin administration, which aimed to reconstruct “Strong Russia”, has centralized whole institutional system. Forest

policy system was not exception, and with revision of Forest Code in 2004, all the authority of local government concerning forest policy was deprived. Forest Code of 2006 decentralized forest policy system again, but it should be recognized that delegation of authority was made by strong central government, and central government has kept decisive power.

Separation of economic function from administrative body at the field level was defined in revised code of 2006 first time ever and radically. Fundamental reform of leskhoz was also first time ever since its establishment in 1930's. These reforms will have profound impact on forest management at the field level.

Concerning transfer to market economy, privatization of lespromkhoz was completed in 1990's and many of newly established private timber industry have become quite active. Assignment of forest resources among users has become competition based. Revised code of 2006 was thorough this system and defined that assignment should be done only based on bid price. Revised code also minimizes administrative intervention and gives broad discretion to forest user. Forest users also obliged to carry on forestry operation. These reforms are to intend that forest user to play central role forest management at assigned area and to support to develop large scale timber company.

Revision of Forest Code in 2006 is landmark stability and will have profound effect on whole forest management and use.

#### CONCLUSION

Revision of Forest Code in 1996 and associated forest policy and forest administrative reform was carried out by the initiative of inner circle of Putin administration. Ministry of natural Resources and Forest Agency, which are responsible for forest policy, carried little weight in the reform process, that means direction of reform faithfully reflect the intent of administration.

Policy system was decentralized and local government has become central player of forest policy and management at the local level. Capacity building to formulate policy and plan at the local level has become important and emerging issue.

There are concerns about weakening of forest management ability at the field level as the reformation of new lesnichestvo system. Establishment and development of forest operation company is uncertain at current stage. It should keep continue to monitor implementation of forestry operation by these newly established company and lease holder.

The revision of Forest Code intends to lease forest lot to timber company which has enough facilities and capacity to carry out forest management. The revision also allows to

commercialize lease right. It is expected that lease right will concentrate to the large scale timber company.

Direction and content of the policy reform and reorganization of forestry administration has become clear. However, how there reform and reorganization be implement, and effect to forest management, use and timber industry activities are remain in doubt. Monitoring of implementation of the reform and reorganization should be kept continue.

Table 1 Historical development of forest policy framework of Russia

	<i>Former USSR</i>	<i>Fundamental Forest Law of 1993</i>	<i>Forest Code of 1997</i>	<i>Revised Forest Code of 2004</i>	<i>Revised Forest Code of 2006</i>
<i>Responsible organization of forest policy</i>	Central Government	Central government (partly raion)	Central and local government	Central government	Central and local government
<i>Forest management organization</i>	Federal organization	Federal organization	Federal organization	Federal organization	Organization of local government
<i>Field level forest management organization</i>	Leskhoze : both administrative and operational work	Leskhoze : both administrative and operational work	Leskhoze : both administrative and operational work	Leskhoze : both administrative and operational work	Lesnichestovo; Only administrative function
<i>Assignment of right of forest use</i>	Planning economy	Competition, but protect vested interest	Competition	Competition	Auction
<i>Fundation of Implement of use right</i>	Order of government	Logging ticket	Logging ticket	Logging ticket	Forest development plan
<i>Disposition of use right</i>	Not allowed	Not allowed	Not allowed	Not allowed	Allowed
<i>Duty of user</i>	Ordered by government	Participate management operation based on contract	Participate management operation based on contract	Participate management operation based on contract	Obligated to implement management operation