Analysis of State Forest Policy in Russia

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The aim of the paper is to give the overview of current state forest policy in Russia. First of all, we considered the history of institutional environment of Russian forest complex since ancient times and stated that the branch always suffered from a bad quality of state management. Then we investigated the acting forest legislation based on the Forest Code of the Russian Federation and the main reforms performed by the Government during 2000s. Last chapter of our study is dedicated to the role of Kyoto process in the long-run development of the Russian forest complex. Our conclusion is that we expect an improvement of governmental perception of forest branch as an important sector of the national economy within next decades.

Keywords: forest complex, natural resource use, forest state policy, Kyoto protocol, carbon quotas market

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1. Introduction

Through the whole history of ancient Russia to the extent of 12th century the usage of forests have not been regulated (Bykovskiy, 2012). First mentioning of tryouts to institutionalize the forest management are related to the “Russian Truth” of Yaroslav the Wise (Russian truth, 1947). Since forests were primarily used for construction and apiculture, and honey was the main export product, the most part of rules of the “Russian Truth” were dedicated to the protection of these kind of activities. In 13–16th centuries the rules of property of forests were being established. The barricades of felled trees have been created for the protection against the external enemies.

The Cathedral Code of tsar Alexei Mikhailovich of 1649 the feudal property of forests has been finally established (Bykovskiy, 2012).

An important institutional modernization of the forest complex was performed during the rule of Peter the Great. Nikolay Shelgunov, the famous historian of the Russian forestry, considered Peter the Great as a founder of forestry in Russia. At the same time, as well as other initiatives of this great Russian reformer, his forest science was “too young, and in most cases alien to Russia” (Schelgunov, 1857). The necessity of creation of forestry was dictated by the runaway development of the Navy being fully made of wood at that time. Peter has created the governmental forest
guard and “waldmeister” (forest master) service. These services were draft for surveillance on maintenance of forest legislation. Due to the goals of forest protection, forest shelterbelts along the riverbanks have been established. The death penalty was proclaimed in case of lumbering within these shelterbelts (Bykovskiy, 2012).

Despite the obvious progressive character of the reforms of Peter, they could not create a really efficient model of forest management. The evidence from Nikolay Shelgunov: “Before Catherine II forest management was quite undefined and inaccurate. When the obstacles forced the government to find ways of forest saving, it issued decrees concerning forest protection or just granted forests to noblemen, former officers and “kind people”. But the consistent system of forest management has not been created nor by Peter the Great, neither by his successors” (Schelgunov, 1857). Thus, as a result of Peter’s reforms, one could consider only the prerequisites for creating of civilized forest management.

During the Soviet period of Russian history the forestry was only a supplier of raw forest materials for the forest industry and was subsidized by the government. According to the logic and ideology of organization of the national economy, all the forest resources were nationalized and the forest management system became rigidly centralized. In fact, nobody considered forest logging as an independent sector of forest complex which must earn money itself (Blam, 2012).

Institutional environment of the forest complex in the recent history of Russia was being developed under the influence of processes of establishing of the new Russian statehood. First, there was a soviet unitarity, then decentralization of the state management system under Boris Yeltsin’s rule, and the creation of the “vertical of power” in 2000s1.

2. The Analysis of the Acting Russian Forest Legislation

During the period of recent history of Russia the main legislative changes touching forestry issues have been performed in 1993, 1997, 2004, 2006. The acting Russian forest legislation is based on Forest Code of Russian Federation (2006) (hereinafter FC RF), which defines the relations regarding the usage of forest resources. Its implementation served as a starting point for a very important reform of the Russian forestry.

Let us consider the key principles of forest relations regulation, stated in FC RF, that are necessary for our further investigation.

According to the part 1, art. 8 of FC RF, all the forestlands are in the federal property. Since the forest resources belong to the government, all the consumers pay for using them (part 11, art. 1, part 1, art. 94 of FC RF). The principle of chargeability of forest resources could be implemented in two forms:

- Long-run lease of forest land for a period from 10 to 49 years (part 3 art. 73 of FC RF) paid with a rental fee;
- Short-run (up to one year) forest logging paid within a framework of agreements for purchase and sale of forest stands.

Art. 20 of FC RF distinguishes property rights of forest resources in the following manner:

- If a forest user holds forest logging for a purpose of geological examination for further mining activity, then the cut timber belongs to the Russian Federation;
- If a forest user performs commercial logging (according to art. 25 of FC RF), then the property rights for this timber must be purchased according to the civil law.

The direct forest management in the domain of forest protection and reproduction is performed
by forestry services ("lesnichestva") and forest parks (art. 23 of FC RF).

Citizens and organizations could perform forest logging on the basis of lease agreements (part 8, art. 29 of FC RF).

The participants of forest relations having rights of forest using issue the forest declarations, which are the official applications for usage of forest resources according to the plans of forestlands development (art. 26 of FC RF). Upon completion of next year of forest usage, each leaser must provide a report containing the information including the volume and structure of forest resources depletion (part 1 art. 49 of FC RF).

The Forest Code establishes the principle of competitiveness protection in the domain of forest usage, supposing the restriction of monopolistic activity of private persons or the groups of interest (part 1, art. 50 of FC RF). The threshold level of market concentration is defined according to the Federal Law No. 135-FZ dated 26.06.2006 “On the protection of competitiveness” (part 4 art. 50 of FC RF). The executive power institution has an instrument of monopolistic power restriction on the forest market by establishing of maximum volume of timber that could be logged by private persons (part 3 art. 50 of FC RF).

Functions of forest fire protection and pollution abatement (including radioactive elements), harmful insects and other negative impacts are given to the institutions of executive power and local governments (parts 1, 2 art. 51 of FC RF). It is stated that forest users who don’t follow the forestry regulations, could be defeated in right of continuing of their activities according to the agreement of forest lease (part 3 art. 51 of FC RF).

The functions of forest reproduction are also given to the federal and local governments (art. 61 of FC RF).

Lessees of a forestland who honestly fulfill the conditions of forest lease agreement have an exclusive right of preferred concluding of the same agreement for the new term (part 5 art. 72 of FC RF).

In the case of long-run lease of forestlands, the technique of calculation of lease payment is defined by the art. 73 of FC RF. According to part 2, art. 73 of FC RF, if a forestland is exploited for commercial depletion of forest resources, a minimal value of lease payment is calculated as a production of a unit rate and the volume of forest resources depletion. If usage of a forestland does not suppose the forest resources depletion, then the minimal payment fee could be calculated as a production of area unit rate and the area of leased forestland (part 3. art. 73 of FC RF). The rates, mentioned above, are defined by the Government of the Russian Federation and the institutions of executive power as well as regional and local governments (part 4 art. 73 of FC RF).

The conclusion of forest lease agreement is performed according to the results of forest auctions with the exception of the following cases (parts 1, 3 art. 74 of FC RF):

- Forest usage for hunting, geological examination activity, mining of minerals, construction and exploitation of reservoirs, other artificial water objects and hydro technical facilities, specialized seaports, reconstruction and exploitation of infrastructure objects (pipelines, automobile and rail roads, power lines and others);
- Implementation of priority-driven investment projects in the domain of forest usage;
- Forest usage in a purpose of timber processing.

In a case of purchase and sale of forest stands, the value of payment for commercial timber logging within the framework of
agreement is defined by art. 76 of FC RF. The minimal value of payment fee for forest stands is calculated as a production of timber unit rate and volume of timber to be harvested (part 2 art. 76 of FC RF). These rates are established by the Government of the Russian Federation, regional and local governments (parts 3, 4 art. 76 of FC RF).

The conclusion of the agreements of purchase and sale of forest stands is performed using the results of auctions with the exception of the following cases (part 1 art. 77 of FC RF):
- Forest protection and reproduction jobs;
- Logging for private needs.

The current unit rates for timber and area for the forestlands belonging to the federal government, are established by the resolution of the Government of the Russian Federation No. 310 dated 22.05.2007. The rates depend on species, timber taxes, and distance of removal. Every year the Government may introduce the increasing coefficients for these rates.

The auctions for long-run and short-run forest lease must be conducted according to the art. 8 of FC RF. Let us consider the main requirements for forest auctions defined by that article of FC RF:
- Auctions are conducted according to the principle of starting price (part 1 art. 78 FC RF);
- Step of auction, i.e. the value upon which will increase the bid after some of participants holds the starting price, is defined as a sum that could not excess 5 % of the auction's starting price (point 3 part 6 art. 79 of FC RF);
- Auction is organized by the owner of rights on the forestland lot (parts 1, 2 art. 79 of FC RF);
- The official announcement about the auction conduction and its parameters is distributed through the Internet not later than 30 days before the auction (part 3 art. 79 of FC RF);
- Participants of the auction must follow the formal requirements of part 8 art. 79 of FC RF;
- All the participants must put the deposit in a value between 10 and 100 % of starting price before conduction of the auction at the same time when the application is issued (point 5 part 6 art. 79 of FC RF);
- The organizer of auctions must perform the audio track of the auction procedure, and any participant of the auction has a right to make video or audio track (part 1 art. 80 of FC RF);
- Auction could be recognized, if two requirements are fulfilled: there were two or more participants of auction, and at least one of them has accepted the offer to purchase the auction item at the starting price;
- In case if the auction has been recognized as frustrated because of participation of only one customer, he must conclude the agreement for purchasing of the auction item at the starting price (part 8 art. 80 of FC RF).

Part 1 art. 95 of FC RF states that the assessment of forest is performed according to the Federal Law No. 135-FZ dated 29.07.1998 “On the assessment activity in the Russian Federation”, i.e. the Forest Code does not contain any specific techniques of forest resources assessment. In our previous paper we investigated the methods of forest rent assessment (Pyzhev et al., 2013).

Despite that some of the statements of the Forest Code could be recognized as even progressive ones (for example, the necessity of forest auctions conduction for timber logging except some specific cases), the legislation formed in post-soviet Russia has been criticized.
A. Pisarenko and V. Strakhov point out that in fact the internal forest policy remained the same since Soviet times (Pisarenko, Strakhov, 2006). This situation leads to the appropriation of forest incomes not by their owner—the Russian Federation, but by the exporters of Russian timber.

In the expert community, as well as in the academic circles, the critical opinion concerning the efficiency of current governmental policy in the domain of forestry is dominating. This common position is based on the analysis of the problems of the branch development and the assessment of profiled institutions of executive and legislative power regulating the forestry.

In our opinion, the current state policy in forestry is typical for those branches of economy that are not important for the federal power. One could observe the tryout of profiled ministries and legislators to overregulate the branch for the purposes of “increasing the efficiency”, “put the activity in good order” etc. Actually, this leads to tragicomic consequences. In 1917–1991 in USSR (Russia) 774 official documents were accepted regulating forest usage issues, but through only 20 years of the recent Russian history the legislative activity has been intensified—1792 acts (Sukhovolskiy et al., 2010). It is obvious that the efficiency of such laws is questionable. This results in increasing of bureaucratic costs in the system of governmental power, and direct or indirect costs at the level of businesses. At the same time, the most vital accumulated problems of the branch are not resolved.

The huge volume of new normative documents in the forest sector is created on the background of the endless chain of reorganization of the ministries and agencies of the Russian Government. This leads to the constant transfer of authorities from one institution to another and “diffusion” of responsibility of concrete representatives of the institutions of executive power for the result and efficiency of state and regional policy.

3. The Contemporary Forest State Policy in Russia

Let us consider the main changes in Russian governmental forest policy during the last two decades and their consequences.

In 2002 the Government of Russia has accepted a new order of stumpage fee management. Earlier the whole forest rent collected using the stumpage fee was sent to the budgets of Russian regions. These funding were dedicated to the financing of protection and reproduction of the forest resources. Now there was suggested to keep in regional budgets only the funding collected with minimal rates from stumpage fee, and the surplus of it must be sent to the federal budget. Following this change almost all the regions have dismissed the increasing coefficients for the minimal rates from stumpage fees. The result was the deficiency of 4.4 bln rubles into consolidated budget of Russia (Blam, 2012).

One of the major novelties of the Forest Code of 2006 was the reform of forest state management system supposing the replacement of vertical structure of management with the distributed one (Kolesnikova, 2013). At the federal level of power in the domain of forestry execute:

- Ministry of natural resources and ecology of the Russian Federation:
  - Legislative and normative regulating of the branch;
- Federal agency of forestry of the Russian Federation:
  - Coordination of the usage, protection and reproduction of the forests including interregional interaction;
  - Control under the fulfillment of authorities transferred to the regions;
  - Administration of payments and control under the usage of federal
budget subvention by the regional institutions;
○ Rendering of governmental services and management of property in the domain of forest relations.

Thus, the Ministry has virtually legislative power and the Agency represents the executive authority. Moreover, despite the formally independent status, it is obvious that the Agency is the lower level in the hierarchy of governmental authorities. Such a complicated structure of relationship predefines the problems of uncertainty of responsibility and is not conductive to increasing of efficiency of the state management in this domain.

During the 2000s the federal center has transferred almost all the functions concerning the forest protection and reproduction to the regional level and hasn’t created any extra sources of financing for implementation of these functions. In fact, the regional authorities lack of traditional means of subsistence comprising the sale of logged timber (Romashov, 2009).

At the regional level the corresponding ministries and agencies perform the functions of state forest management. The relations of their responsibility are analogical to those of the federal level authorities. The main structures of the local forest management are the so-called “leskhozy”, which carry out the functions of industrial logging, its primary processing and forest protection and reproduction activities. During the last years the leskhozy have experienced the major changes. From the one hand, these are exactly leskhozy, which are responsible for the forest fund management, from the other hand, they have no real power, necessary for performing of these functions. Moreover, since leskhozy are the governmental institutions, they have no right to make the commercial logging anymore, so they were prevented from provide for themselves (Nikolaychuk, 2010).

The aim of that reform remains unclear, because even the foreign scholars acknowledged that the activity of leskhozy is quite efficient (Eikeland, Riabova, 2002; Eikeland et al., 2004).

As a result of the conducting forest state policy, the volumes of forest reproduction are only decreasing (Fig. 1).

![Graph showing forest reproduction and afforestation volumes in Russia (2000-2012)]

Fig. 1. The volumes of forest reproduction and afforestation in Russia in 2000–2012

Sources: Federal agency of forestry of the Russian Federation
In 2007–2009 the Government of the Russian Federation have attempted the tryout to reduce the share of forest logging in the structure of forest products export. The mechanism of this reform was the step-by-step increasing of export fees for unprocessed timber from 20 % in 2007 to 80 % in 2009 (Antonova, Lankin, 2009). These actions reduced to sharp decreasing of the export volume of round wood on the background of world financial crisis, but the main goal–increasing of forest processing industry–hasn’t been achieved (Blam, 2011). Nevertheless, in 2010–2012 an increasing of growth rate of sawn wood export was observed. Such an effect may be explained with the reaction of market participants on the change of trade rules: those of them who did not get the fee quota with 15 % rate, turned to the elementary saw-milling producing bars being almost the same timber, but with lower customs fees (Lipin, Gaiduk, 2008). Of course, this result does not coincide with the primary goal of the government.

It is necessary to underline that at the regional level the authorities produced quite efficient and economically well founded of the forestry problems, but their implementation has been broken up by the bureaucratic impediments. For example, in Khabarovsk region in 2003 the governor has issued a special decree granting the right to reduce stumpage fees for the forest loggers, which supplied the timber to forest processing industries. However, this decree has been cancelled, because it contradicted to the acting Forest Code (Zausaev, 2013).

At the end of 2013 the Government of the Russian Federation have approved the document titled “The Basement of State Policy in Forestry until 2030”. As a matter of fact, this document was kind of a roadmap of the long-run state policy in the domain of forest relations. It does not contain any new ideas and principles, which could be premised to the branch development for the next years. All the acting principles of the current policy in the domain of forest relations are kept. In other words, this is kind of a formal reply to the well-known Decrees of the President of the Russian Federation dated 07.05.2012 (Petrov, 2013).

4. Russian Forestry and Kyoto Protocol

An important issue of the contemporary agenda is the participation of forests in the regulation of the carbon balance of the Earth and solution of the climate change problems. In 1988 the International Panel on Climate Change (IPCC) has been created combining the efforts of academic circles and the governments of main European countries. The focus of IPCC is the problem of ecological and economic and social risks of climate change. The importance of this issue does not arouse any doubts anymore. The IPCC has contributed to the development and further ratification of the Kyoto protocol, which created the economic mechanisms to control the emissions of greenhouse gases using the trade of carbon quotas between countries.

Russian forests absorb increasingly more volume of greenhouse gases. By the assessment of D. G. Zamolodchikov, V. I. Grabovskiy and G. N. Kraev, the sink of carbon to the Russian forests has increased from 80 Mt in 1988 to 230–240 Mt at the end of 2000s. This is explained with the reduce of forest logging volumes in Russia during the last decades (Zamolodchikov et al., 2012).

At this juncture the official policy of Russia towards the problem of global warming is mostly timeserving and addressed to the solving of current foreign-policy tasks and benefiting from the sale of emissions quotas. There is no strategic participation in global initiative on reducing of greenhouse gases emissions (Safonov, Charap, 2011). Despite quite a frequent discussion of the participation of Russia in the Kyoto protocol (cf.
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(Buchner, 2005; Firsova, 2008)), and all-round lobbying of its ratification from the party of the Russian government, during a long period there were no complex and comprehensive estimates of consequences of entering the Kyoto process. Some of experts argue that this step was induced by totally political reasons as a compromise for entering the World Trade Organization (Buchner, 2005). More or less, the long-awaited conclusion of the agreement with WTO has occurred in 2012, and the assessment of absorbing capacity of Russian forests compared with the volume of emission of the greenhouse gases was made (Fedorov, 2007, 2011). The authors of the cited papers have considered the different scenarios of the dynamics of absorption and emissions of greenhouse gases on the Russian territory and have concluded that even the most pessimistic scenario (and without making restrictions on carbon dioxide emissions) Russia will keep the possibility to perform trade of carbon quotas until 2100. The absorbing capacity of the Russian forest is so huge, so it will allow absorbing up to 100 Gt of carbon in 2000–2100. By the preliminary assessment of B. N. Porfiriev, the ratio between growth rate of investment in power efficiency of fuel and energy complex and decrease of greenhouse gases emissions in 1990–2010 is 60–65 US $ for 1 t of the carbon equivalent. At the same time, the same ratio of the growth of investment to the development of forestry and decrease of greenhouse gases emissions is 30–35 US $. It turns out, that according to the criterion of greenhouse gases emission, the investment into forestry is twice more efficient than the same process in fuel and energy complex (Porfiriev, 2013). These facts allow counting on increasing on competitiveness of the carbon market quotas that will lead to great demand on forest services not only from private persons, forest businessmen, but also from politicians.

5. Conclusion

In this paper we concluded that the system of forest management in Russia always faced the sufficient difficulties. The problems accumulated in the branch by the current moment are stipulated for institutional legacy of the soviet period and careless, frequently indifferent state policy in the domain of forest relations.

It would be naïve to count that the Russian forest complex may become a serious concurrent to the oil and gas sector, even though the state holds a well-founded forest policy. In our opinion, one should not point such a goal. It is much more fundamental to speak about the diversification of the structure of our economy that currently almost totally depends on only one major branch. It is also badly important to establish a sustainable system of natural resources usage.

References


Анализ государственной лесной политики России

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Целью настоящей работы является анализ государственной лесной политики России. Мы рассмотрели историю институциональной среды российского лесного комплекса с XII века по настоящее время и установили, что отрасль испытывала существенные трудности, связанные с невысоким качеством государственного управления в течение всей истории своего развития. Зatem была дана характеристика современному лесному законодательству России, основанному на Лесном кодексе, а также проанализированы результаты реформ комплекса, предпринятых Правительством в 2000-х гг. Последний параграф настоящей статьи посвящен роли Китайского процесса в долгосрочном развитии российского лесного комплекса. Можно ожидать, что в течение ближайших десятилетий лесная отрасль сможет стать важным сектором национальной экономики, что улучшит ее восприятие представителями органов власти и, в конечном итоге, повысит качество государственной лесной политики.

Ключевые слова: лесной комплекс, природопользование, государственная политика, Китайский протокол, рынок углеродных квот

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1 A comprehensive study of Russian federalism development has been conducted by E. Zhuravskaya (2011).