Russia Forest Policy Dialogue TA Program

The World Bank provided on-demand, just-in-time international input into deliberations by Russian policy makers as they carried out an overarching reform of the country’s forestry sector to respond to the challenges of illegal logging and weak governance. Technical assistance activities under the Forestry Policy Dialogue in 2003-7 included policy analyses, stakeholder consultations, workshops, conferences, and publications. The reforms led to a new Forest Code, the decentralization of forest management functions, and implementation of a plan of action to strengthen forest law enforcement and governance.

1. Challenge

With some 870 million wooded hectares, Russia is the steward of 23 percent of the world’s forestland. Consisting mainly of slow-growing boreal forest, the Russian taiga has more than half the world’s stock of conifers and is home to hundreds of plant and animal species. This immense natural resource plays a major role in preserving planetary biodiversity and in stabilizing the global climate through carbon sequestration.

At the same time, Russian timber is a resource for the country’s economic development. The private sector is struggling for secure, long-term access to raw materials, a key factor in investment decisions. The policy, legal, and institutional framework for forestry needs to balance the demands of Russia’s growing private sector with the imperative for sustainable management of forest resources.

A range of problems have complicated this task. Governance is poor and corruption thrives, poverty puts pressure on forests for fuelwood and farmland, and land tenure systems are flawed. Illegal logging destroys the forest cover and deprives the state of revenues. Moreover, illegal harvesting depresses timber prices, thus discouraging private investment. Illegal timber may account for 10 percent of total annual wood harvest in Russia. Capacity for oversight is weak, and few resources are available to familiarize forest staff, companies, and civil society with new tools for forest management.

In response to interest by the national government, the World Bank developed the Russia Forest Policy Dialogue Technical Assistance program in 2003. What began as an ad-hoc conversation became a popular series of targeted, on-demand workshops and publications jointly sponsored by the Bank and the Ministry of Natural Resources. The objective was to support the policy and institutional reform of the Russian forest sector, favoring a transition to more sustainable and transparent forest management.

2. Findings and Dissemination

The technical assistance (TA) program responded to a climate of reform that required quick action and the development of models for policy, legal, and institutional change. Based on participatory principles and involving multiple stakeholders, the program provided guidance on several challenges for development of the Russian forestry sector.

First was the improvement of the investment
climate through a more enabling policy, legal, and institutional framework and more efficient financing mechanisms. This involved (a) separating government policy/regulation, oversight, and management functions to improve accountability and governance; (b) decentralizing forest management; (c) developing long-term, competitively awarded leases; and (d) improving information flow between agencies regarding forest inventory and use, turnover of forest resources and wood products, price and tax monitoring, and legal infractions.

Second was the development of political and policy actions by the federal forestry agency to strengthen law enforcement and fight illegal logging. Since 2004, the Russian government and the World Bank have worked closely to launch the Europe and North Asia Forest Law Enforcement and Governance (ENA-FLEG) Ministerial Process, supported by a separate TA task.

A third challenge was to implement changes in forest management. Voluntary instruments, especially forest certification, were promoted as an alternative to state enforcement of compulsory standards. Expansion of certified forests should more widely confirm the legality of timber and help Russian forest products gain access to the European Union market.

Finally, the program built human resource capacity for sustainable forest management. Education and training needs were assessed, more modular training programs promoted, and regional training projects implemented.

3. Subsequent Role for the Bank

The TA activities helped strengthen the government’s technical capacity to implement an ongoing Sustainable Forestry Pilot Project. The chief of the Federal Forestry Agency affirmed that the TA program had provided “timely and effective impetus” at an initial, difficult stage of loan implementation and had “improved the efficiency and substantive content” of the dialogue. The agency requested the Bank to provide a follow-on TA program in 2007-8 to help in (a) implementing a national action plan to combat illegal logging; (b) strengthening information systems for strategic planning and monitoring of forest resource management; (c) improving long-term performance-based budgeting for public forest management; and (d) developing financial, economic, and environmental guidelines for forestry sector investment projects.

4. Key Results

The Bank’s Forest Policy Dialogue program had both direct and indirect influence on several essential aspects of Russia’s national forest policy:

Enabling policy and institutional framework. The program helped establish consensus on issues of forestry policy reform. The new Forest Code, effective since January 2007, incorporates many ideas from the public discussions supported by the program. Key provisions of the Forest Code were translated into government regulations and have now been implemented across Russia. These include delegation of forest management functions to the regions and allocation of long-term forest leases with increasing transparency and competitiveness.

Independent forest certification. Independent certification of sustainable forest management doubled to 20 million in 2007 and now constitutes 15 percent of the total area of forest leases. Certification has become a mainstream trend supported by responsible forestry businesses and the Russian regions.

Increased stakeholder participation. Over the last two to three years, Public Consultative Councils have regularly brought together legislators, government officials, companies, NGOs, and academicians to discuss forest sector issues. The prime minister established a similar consultative body on forest sector development at the end of 2007.

Increased measures to combat illegal logging. By fostering an environment of political commitment and trust, the dialogue contributed to a successful launch of the ENA-FLEG Ministerial Process in 2005. It also encouraged implementation of a national action plan to combat illegal logging with explicit endorsement by the Russian president and prime minister. Coordination between forestry, police, customs, and tax authorities has improved. The private sector is introducing tools to prove the legality of origin of wood products; together with forest harvest monitoring by the government and civil society, this has increased incentives for legal compliance while pushing out illegal actors.
From 2005 to 2007, the area covered under remote sensing to monitor forest utilization doubled to 100 million hectares. This led to an increase in the volume of illegal logging detected from 775,000 cubic meters in 2005 to more than 1 million cubic meters in 2007.

*Increased investment.* Investments in wood-based industry doubled to $2.5 billion between 2003 and 2007. While improvement in Russia's overall investment climate has driven this process, sector-specific policy changes also played an important role.

*Enhanced bilateral cooperation.* The program strengthened the Russian government's cooperation with international partners in sustainable forestry management. Reentry into the Food and Agriculture Organization in 2006 provides the Russian government a platform to set forth its views on international forestry issues.

*Increased awareness of best practices.* Managerial cadre in the Russian forest sector are increasingly exposed to the latest international practices in forest management. The program's publications on forest management reform in transition economies are in high demand.

5. Lessons Learned

Several aspects of the Russian forestry TA experience may be of interest to others involved in policy dialogue.

First of all, the team found it was important to be accessible to the client at all times. A flexible approach to planning the program's activities allowed a prompt response to the changing priorities of the client. A steady stream of translations of strategically selected documents helped to keep the client interested in new ideas.

Second, the timing of implementation is important. Many of the policy changes in Russian forestry were introduced in a somewhat rushed manner, before supporting regulations and adequate capacity on the ground were in place. For example, significant tightening of rules and regulations for forest harvesting was not accompanied by a revision of the rules for subsistence wood collection by local communities, which made compliance difficult. This is being addressed by a second wave of amendments to the Forest Code and associated regulations, as well as by public education campaigns.

6. Learn More

"Russia Forest Policy Reform: Key Challenges," World Bank, 2004
http://go.worldbank.org/39GZTD4M60

Key Contact
Andrey V. Kushlin, Team Task Leader, Russia Forest Policy Dialogue TA Program,
akushlin@worldbank.org