New Forest Code and Its Implications for Management of Forests in the Russian Federation

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THE FOREST CODE OF THE RUSSIAN FEDERATION: INSTITUTIONAL ORGANISATION OF STATE FOREST MANAGEMENT

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1. Why does Russia need a new Forest Code?
2. Stages of development and implementation of the new forest legislation.
1. To turn biological forest resources into economic potential of the country;
2. To establish a market-oriented balance between the state power of the Federation and its subjects (regions);
3. To separate government and economic functions in the forest sector;
4. To establish a competitive environment in forest industry and forestry;
5. To create an effective investment climate in the forest sector.

Goals of the new forest legislation of the Russian Federation
"Triangle" of key issues solved by forest policy and forest legislation

- Power of federal authorities in the sphere of state forest management
- Power of the authorities of the subjects of the Federation in the sphere of state and economic forest management
- Private forest business
The principle of federalism is established in the Constitution of the Russian Federation, whereas Article 72 attributes the issues of ownership, use and disposal of land, Earth interior, water and other natural resources to be under the joint management of the Russian Federation and subjects of the Russian Federation.
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+ - functions
0 – no functions

*Development of federative relations in the system of forest fund management*
Mechanism of delegating rights of federal ownership
Article 81. Power of the authorities of the Russian Federation in the area of forest relations

Article 82. Power of the authorities of the subjects of the Federation in the area of forest relations

Article 83. Transfer of certain powers of the Russian Federation in the area of forest relations to state authorities of the subjects of the RF

Article 84. Powers of local authorities in the area of forest relations

*Forest Code (2006) about distribution of federal ownership rights to forest*
Implementation of the principle of federalism in forest relations via delegating rights of federal ownership to the forest fund to the subjects of the Federation.
Rights and duties of the subjects of the Federation in realizing the power delegated for forest fund management

<table>
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<th>Delegated power (rights)</th>
<th>Responsibilities delegated according to the agreement</th>
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<tbody>
<tr>
<td>1. Provision of forest fund areas for use under the terms of long and short-term leasing according to relevant tender procedures and on the basis of agreements</td>
<td>1. Gaining forest income in the form of fees for the use of forest fund in the established amount</td>
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<td>2. Organisation of forestry operations on the basis of long-term lease agreements</td>
<td>2. Transfer of forest income to the federal budget in the established amount</td>
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<td>3. Organisation of forestry operations on the territory of the forest fund not provided for long-term leasing carried out by state commercial organisations owned by the subjects of the Federation (leskhoz)</td>
<td>3. Forestry operations in compliance with fixed tasks, including those deriving from the federal order</td>
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<td>4. Organisation of the work – done by leasers and state-owned commercial entities – of fire safety and protection against infestations</td>
<td>4. Annual reporting to the Federal Forest Agency on gaining forest income from the use of forest resources</td>
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<td>5. Annual reporting to the Federal Forest Agency on the volumes of forestry operations</td>
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<td>6. Periodic reporting to the Federal Forest Agency on the condition of the forest fund managed on the basis of the delegated power</td>
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Financial mechanism for transferring (delegating) power, i.e. subsidies from the federal budget.

The subsidies are to be aligned with the forest plan of a subject of the Federation.
Federal authorities in the system of forest management
Powers of the federal forestry management body

1. Forest monitoring
2. Forest planning and inventory
3. Forest protection
4. Seed production
5. Scientific research
6. Secondary vocational forest education
7. Further education in forestry
8. Subsidizing from the federal budget
9. International cooperation
Authorities of the subjects of the Federation in the system of forest management

Body of executive power of the subject of the Federation

A body performing the functions of state and economic forest management

Forest districts (lesnichestvo) – state management

Commercial organisations – economic management

Leasers
Forest users
1. Forest plan of a subject of the Federation
2. Forest management regulation (*reglament*)
3. Forest development plan
4. State or municipal review of the forest development plan
5. State forest inventory
6. State Forest Ledger

*Instruments of State forest management*
Stages of reforming leskhozes

1930’s – 1993 2005 – 2006 2007 -

*Stages of reforming leskhozes*
Ways of establishing and developing commercial entities of subjects of the Federation
Approaches to cover costs of regeneration, protection and conservation of forests under lease agreements and economic activities

1. From the fees for using the forest fund via budgetary system or earmarked funds. The work is performed by users, evaluated by contractual prices, accepted by lessor and are paid for.

2. From the prime cost or profit of forest users.
Why cannot the costs for forestry operations be allocated to the prime cost or profit of forest users?

1. Allocation of costs for forestry work to the prime cost in parallel to fees means double taxation of income.
2. Violation of the principle of equal access of companies to forest resources under forest lease with silvicultural operations (when costs are included into the prime cost) and without silvicultural operations (when costs are not included).
3. Impossibility to execute effective control over the results of silvicultural operations separately from the control over financial flows.
Economic organisation of silvicultural operations under the conditions of long-term lease
Formation of payments for the use of forest fund in the conditions of decentralized forest management

Federal forest management authority

Basic rate of fees for forest fund use

State authority providing forest fund areas for use

Starting prices for standing timber before the auction

Auctions for selling forest use rights

Fee rate per resource unit and lease payment