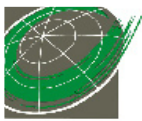


Court of Auditors' Report: Forestry Measures within the Rural Development Policy

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TRN

A FERN/TRN Briefing Note

In a special report about forestry measures in the rural development policy, the European Court of Auditors criticises the European Commission and Member States for spending billions of Euro on forestry measures from rural development funds without adequate quality controls or documentation. The report concludes that a large part of the funds could not be properly traced, had been misspent or could have been spent in a more effective manner. The report exposes crucial shortcomings that must be addressed before decisions on the future funding of forestry measures under the new rural development framework can be made. The Court's findings also need to be reflected in the proposed Action Plan for Sustainable Forest Management by DG Agriculture. This briefing note summarises the Court of Auditors' findings and presents recommendations to rectify the current situation.

1. Introduction

On 15 March 2005 the European Court of Auditors [1] published a special report entitled "Forestry Measures within Rural Development Policy" [2]. The report assessed whether forestry measures financed through rural development funds complied with relevant national policies, whether they were based on national forest programmes and how the measures were implemented and assessed their impact.

In 1998 the Council adopted the EU Forestry Strategy, a framework for forestry actions, based on the principles that forest management should be sustainable and that forests should play a multifunctional [3] role. Since 2000 forestry measures have been funded to a large extent by rural development funds. These measures need to be in line with the objectives of the EU Forestry Strategy to qualify for funding. For the period 2000 to 2006, 4.7 billion Euro has been allocated for forestry measures from rural development funds. Also, after a recent review of the Strategy, the Commission proposed in a Communication [4] (March 2005) to develop an EU Action Plan for Sustainable Forest Management to be in place by the end of 2006.

2. Findings of the Court

- *The objectives of the EU Forestry Strategy are often contradictory.* The Strategy assumes that its main objectives - economic, environmental and social - are complementary, but it is very difficult to obtain an appropriate balance between these objectives. The different parties involved there-

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fore have different interpretations of the objectives of the EU Forestry Strategy. In at least one Member State, the EU Forestry Strategy was highly criticised as being overly-focused on economic aspects without due regard to the need to maintain biodiversity.

- *Neither Commission nor Member States have assumed responsibility for assessing whether a project contributed to the implementation of the EU Forestry Strategy.* Therefore, no adequate monitoring of projects or their impacts has been carried out.

- *National forest programmes (NFP) do not always exist even though Member States are required to base their forest measures on these programmes.* A study co-financed by the Commission in 2001 [5] highlighted that developing NFPs is a slow and difficult process. But, a common approach for defining the principles of NFPs was not adopted by the EU before 2003. In the absence of a NFP, Rural Development Plans (RDP) and Operational Plans (OP) were accepted as a precondition for forestry support from the Commission. However, RDPs and OPs do not generally focus on forests. This makes it impossible to take account of forestry policy objectives in a coherent manner.

- *Grant aid funding to afforestation projects aimed at increasing woodland area is very expensive and not cost-effective.* Afforestation support includes an annual premium per hectare to cover the income-losses to farmers for

a period of 20 years. The Court judges this measure not to be cost-effective and this measure may have led to fraud. See below.

- *Monitoring systems were inexistent or failed to uncover questionable self-assessments provided by fund recipients.* Applications exceeded the funds available, but there were many weaknesses in the project selection procedures, such as lack of clear criteria or the use of unverifiable criteria. The Court points out that this may have led to fraud, with applicants claiming to have previously grown crops allowing the highest compensation rate (wheat) without there being checks to establish if this was the case or not. Or, applicants asking for the highest compensation (by claiming to be a farmer), while not always being required to prove this information. Lastly, no assessments were made on whether funded measures reflected the three pillars of multifunctionality – economic, social and environmental – adequately.

As a result of a lack of clear policies, funding guidelines and procedures, as well as a lack of monitoring and an unclear division of responsibilities between Commission and Member States, the spending of a large part of funds is not consistent with EU Forestry Strategy objectives or, as pointed out by the Court, the emphasis on environmental objectives in the legislation of the Community.

3. Recommendations

The Court of Auditors' report has been published at a crucial time as the framework for future funding of forestry measures under rural development funds will be decided when the Council votes on the proposed Rural Development Regulation in June. The Commission also intends to develop an EU Action Plan for Sustainable Forest Management by 2006. FERN and TRN urge EU decision makers to ensure the shortcomings exposed in the Court of Auditors' report are addressed before final decisions regarding future funding for forestry measures are taken and during implementation of the new Rural Development Regulation over the coming years. Significant changes to the implementation of forestry measures

by rural development funds are required to ensure lessons clearly spelt out in the Court of Auditors' report are learnt. This includes: 1) The Commission's Action Plan on Sustainable Forest Management needs to take into account changing public needs and that, as the Court points out, the emphasis should now be on sustainable environmental benefits. 2) An Action Plan that pays lip-service to environmental and social values of forests while pursuing mainly economic objectives will not improve the situation. 3) Only ecologically sound forestry measures should be subsidised, not business as usual practices, as is currently the case in many countries.

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The current situation is also in clear violation of the Council Conclusions on the Forestry Strategy.

The Commission needs to ensure it knows in detail where the funds go and what their impact is. This means that::

- Effective monitoring and verification systems must be in place. This assumes an effective co-operation between DG Environment with its improved Forest Focus programme and forestry expertise, DG Agriculture and Member States.
- Improved guidelines need to be developed and adopted, in a fully participatory manner for spending

of rural development funds.

- Only countries with an operational national forest programme, developed in a fully participatory process as required by the IPF [6], should be eligible for funding.

Procedures must be put in place to remove the vacuum of responsibility between Commission and Member States with regard to assessing whether a funded project contributes to the objectives of the EU Forestry Strategy.

NOTES

[1] The Court of Auditors is an independent body, auditing the collection and spending of European Union funds, in order to assess the way in which European Institutions disburse funds. Its aim is to improve the financial management of European Union funds to ensure maximum value for money for EU citizens

[2] European Court of Auditors: Special Report No 9/2004 Forestry Measures within Rural Development Policy. Available at: www.eca.int/audit_reports/special_reports/docs/2004/rs09_04en.pdf

[3] Multifunctional forests (under the EU Forestry Strategy) means a mixture of ecological, environmental, economical, social and cultural functions in a forest

[4] Communication from the Commission to the Council and the European Parliament: Reporting on the implementation of the EU Forestry strategy. Available at: http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2005/com2005_0084en01.pdf

[5] National forest programmes in European countries: an initial overview based on a quick survey in countries participating in the COST E-19 Action. Available at: <http://www.metla.fi/eu/cost/e19/part-1.pdf>

[6] IPF Proposals for Action number 17, available at: <http://www.un.org/esa/forests/pdf/ipf-iff-proposalsforaction.pdf>

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