

How EU taxpayers money gets lost in subsidising the forestry sector

October 2006

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Europe's forests receive huge subsidies. In the 13 countries assessed, over 8.6 billion EUR of public funds were spent on forestry programmes during the period 1990-1999. How were these funds spent? It turns out: nobody knows. European taxpayers' money is spent on forestry measures without clear monitoring or evaluation mechanisms in place. To the extent that things are clear, it looks like most money goes to supporting business as usual scenarios and not to sustainable forest management.

A FERN/TRN Briefing Note

This briefing examines the allocation of public funding to forestry programmes within Europe during the 1990s, based on the findings of the research project 'Evaluating Financing of Forestry in Europe' (EFFE)¹, which assessed forestry measures in 13 European countries². This briefing also draws on a report by the European Court of Auditors on forestry funding under the EU rural development funds³ (referred to subsequently as the ECA report) and on an assessment of EC regulation 2080/92, undertaken by the Institute for Forestry Development, Auzeville, France (the IDF report)⁴.

Since the early 1990s there has been a shift in priorities, at least on paper, within the forestry sector, away from timber production and towards a greater focus on other forest values, such as landscape, recreation, ecology and biodiversity. Subsidies can be an important tool for influencing how forests are managed, and thus play a crucial role in either reinforcing or undermining policy objectives. It is therefore important to determine whether such funds are actually helping to achieve the stated goals: in other words, whether they are being wisely spent.

Europe's forests receive huge subsidies, both from national governments and the EU. In the 13 countries assessed by the EFFE project, over 8.6 billion EUR of public funds were spent on forestry programmes during the period 1990-1999 (1999 prices). Within this overall figure, the allocation of public funding in the 1990s varied widely between countries.

All of these funds were allocated through a range of financial instruments. The most important were grant schemes, through which over half the programmes were financed. Other instruments were soft loans and loan guarantees, compensation payments, technical assistance and assistance

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in kind. Another highly significant source of funds for the forestry sector of some countries was tax-related subsidies, including a variety of tax concessions and exemptions for forest owners and industry. Recipients of public funding included private forest owners, including small-scale or non-industrial owners, farmers or other land-owners, and public forest owners. There was little data available on the numbers of recipients of funds within each of these groups.

The EFFE project used three different criteria to evaluate the funding programmes:

- effectiveness (the extent to which programme goals have been achieved);
- efficiency (comparison of the resources put in with the goods and services produced, i.e. cost-benefit analysis); and
- implementation (analysis of the wider effects of a programme).

Difficulties were encountered in assessing all these elements. Consequently, some of the findings were somewhat tentative. In spite of this, certain conclusions could be drawn:

- 1) There were insufficient systems for monitoring and evaluating forestry measures in all of the countries surveyed. In most programmes, there was a lack of clearly defined objectives and of quantitative targets, and in particular, few targets relating to the wider environmental and social impacts of forestry measures. Consequently, it proved very difficult to assess the effectiveness and implementation of the various measures.
- 2) A major source of EU funds during this period was EC Reg. 2080/92. In spite of this regulation requiring Member States to define provisions for evaluating and monitoring the effects of the regulation on the environment, there is little evidence of this having taken place. It was often unclear how a particular forestry measure was to contribute towards achieving policy goals. Since no clear link had been made with wider strategic goals, it was not possible to evaluate these activities.
- 3) There is a clear need for greater involvement of stakeholders in policy development. For example, in some Member States a lack of understanding of the needs of all stakeholders resulted in poor implementation of some national forestry measures. Involvement of all parties in the process of developing forest policy was seen to be essential to ensure that a sound forest policy would be developed. Widespread involvement is also needed to prevent conflicts with other policy areas and to ensure transparency in the decision-making process regarding the allocation of funds.
- 4) The vast majority of public finances were spent on measures aimed primarily at forestry investments and the commercial sector. Support for conservation and the recreational values of forests received just 28% of total public funding, with 16.7% for forest protection, 9.8% for forest conservation and only 1.5% for recreation. This is in spite of the high priority given to these activities in forest policy.

To improve the current situation FERN proposes the following:

When forestry measures are funded through rural development funds, the rural development programme must be in line with the national forest programme and the national biodiversity strategy plan. EU Member States are required to develop national forest programmes and national biodiversity strategy plans in a process including all different stakeholder groups. These plans need to identify the national objectives and set the priorities for forest funding.

The implementation rules for the rural development programmes and the guidelines for forestry which are part of the state aid guidelines must clearly indicate that public funds should only be made available for forestry measures that have a clear positive environmental or social impact. Business as usual practices, and the planting of 'tree crops' should not be funded by public funding.

Finally, systems for monitoring and evaluation need to be established. This will help increase transparency and accountability, which should be central principles in the allocation of public funding. Only in this way can there be informed debates as to how Europe's forests should be funded and which measures supported.

NOTES

- 1 Details of the project, including the country reports and final project report, are available online at: <http://www.efi.fi/projects/effe/>
- 2 Belgium, Catalonia (Spain), Czech Republic, Estonia, Finland, France, Germany, Netherlands, Norway, Poland, Portugal, Slovenia, Switzerland.
- 3 Court of Auditors, Special Report No. 9/2004. Forestry Measures within Rural Development Policy. Available online at: http://www.eca.eu.int/audit_reports/special_reports/docs/2004/rs09_04en.pdf
- 4 Evaluation of the Community aid scheme for forestry measures in agriculture of Regulation No 2080/92. Final Report. Institute for Forestry Development, 2001. Available online at: <http://europa>

Published by FERN and TRN, October 2006

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This briefing is a summary of FERN and TRN's report 'EU subsidies for forestry practices during the 1990s', available at www.fern.org/ www.taigarescue.org or from info@fern.org