

## STATE AID FOR FORESTRY AND HIGHER LOCAL-ADMINISTRATIVE UNITS

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### Abstract

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The paper focuses on state aid for forestry through public corporations, especially financial resources provided from the budget of Regions as higher level of local-administrative units. Development of the current situation and situation in the provision of the public support at national level – through the Ministry of Agriculture is analyzed. Mainly data sources from the website of the regions as publicly available source of information are analysed. In terms of methodological approach is also important the approach to the evaluation of regional forest programmes for description of the analysed topic. The paper mentions some possible directions, which may take further development in the researched field. There is complex of legislatively, politically repressive and economically accessible, supportive and educational instruments of state and regional forest policy, which give many options, which are not used yet very much.

state aid, forestry, regional development, higher local-administrative unit, National Forestry Programme

Public funds are typically formed by generally applicable legislation and managed by public institutions, which are selected authorities, and bodies and subjects established by authorities. This results into different levels at which public funds are managed, and which are local authorities – municipalities, higher local-administrative governments – regional governments, on national level state, and transnational the Community (Kupčák, 2007).

In the forestry of the Czech Republic is public funding at national level from the state budget – in relation to the competences of individual ministries, primarily through the Ministry of Agriculture of the Czech Republic, Ministry of Defense of the Czech Republic (forest management in forests important for national defense), the Ministry of Environment of the Czech Republic (in the forests of National parks and their protective zones). Nature of public funding have also purposely established state funds, such as the State Environmental Fund of the Czech Republic or Support & Guarantee Agriculture and Forest Fund. Form, by which was

financed from funds for agriculture, but passes into the professional competence of forestry, was also afforestation of agricultural land.

At the level of local authorities, budgets of municipalities and regions are the source of public funding of forestry, at the supranational level nowadays mainly European Structural Funds.

Since 2005 there has been a significant change in public funding of forestry, when with the strengthening of the budgetary autonomy of regions was carried out the transfer of funds in the amount of CZK 505 million (for the financial contributions and refunds in the forestry by the Ministry of Agriculture) to the budgets of the regions (where, however, are no longer intended purpose).

The paper focuses on state aid for forestry, especially funds that are being currently provided from the regional budgets. Due to the continuity and complexity of the situation is analyzed also the provision of grants through the Ministry of Agriculture or are somehow guided by the Ministry of Agriculture.

## MATERIAL AND METHODS

Primarily were analyzed legislative and policy documents with the connection to the topic, particularly of the national and regional framework, including Regional Programmes.

In the national economy of the Czech Republic, the forestry falls mainly under the Ministry of Agriculture, according to sectoral classification where is included in section A Agriculture, hunting and forestry; subsection 02 Forestry and related activities. The state supports forest management by financial contributions based on § 46 paragraph 5 of Act No. 289/1995 Coll. on Forests.

In the next step followed analysis of selected characteristics of the sector, focusing on the regions based on data from the statistical survey, the information provided by Ministry of Agriculture, for example, through Annual reports on management. Complex, but basically the only official document with the information on forestry, are regular Reports on the state of forests and forestry in the Czech Republic for the relevant year (systematically since 1996) – so called “Green Reports” (Anonymus, 2011).

The focus of this paper is to analyze regional county functions and state for forest management, especially using the information on the website of the regions. Contributions to the forestry the regional forestry authorities provide from their budgets and in own competencies decide whether to pay or not pay for the year the selected contributions. In the assessment for the year 2011 is provided support for the relevant title marked “+”.

In terms of methodological approach is also important the approach to the processing of Regional Forest Programmes (Kupčák, Šmída, 2009).

## RESULTS AND DISCUSSION

### State funds for forestry

The state supports the management of forests, mostly non-state forests, where:

- Soil quality of forest land or forest health are currently unable to ensure sustainable management.
- It is necessary to contribute to development of publicly beneficial activities of forest owners.
- It is necessary to ensure financial coverage of state obligations under the Act on Forests.

Public funding for forestry is in principle divided into:

- Financial obligations arising from the Act on Forests.
- Financial contributions to forest management.
- Funding of such services by which the state supports forest management.

Act No. 289/1995 Coll. on Forests and amending and supplementing certain Acts (the Act on Forests), as amended, requires to the State the obligation to pay certain activities which are not necessary

for forest owners, but are beneficial for society to preserve and develop listed forest functions. These so-called mandatory spending is obliged to pay individual entrepreneurs (natural persons) or legal entities who apply, for a relevant period and terms.

To these obligations belong to the state also obligation of partial payment of the additional costs of planting a minimum share of ameliorating and soil-stabilizing species (§ 24), reimbursement of professional forest manager exercised by any entity (either natural person or legal entity), if the forest owner does not select professional forest manager himself (§ 37), payment of processing costs of forest management guidelines (§ 26) and the costs of reclamation and torrent control in forests, if they are made from the decision of the state forest administration in the public interest (§ 35).

Financial contributions for forestry in the framework of the State Budget Act are provided under a special regulation, which is from the year 2004 “Binding rules of financial contributions to forest management in a relevant year and ways of controlling their utilization,” issued by the Ministry of Agriculture. The contributions were not legally entitled were provided to the depletion of financial limits of the state budget. Dispassionately, these financial contributions were set off for: restoration of forests damaged by air pollution, forest regeneration, establishment period and stand tending, associating of small forest owners, ecological and environmentally friendly technologies, ensuring of the non-productive functions of forests, torrent control, supporting of endangered species of animals, preparation of forest management plans in digital form, other forest management (work related to the conservation and reproduction of gene resources of forest tree species, emergency measures when disasters caused by biotic and abiotic factors). Contributions were also provided for programs co-financed with EU funds.

Services by which the state supports forest management include: air liming and fertilizing, air fire service and fire service, large interventions in forest protection, consultancy.

The volume of financial resources for forestry, which have been provided since 1991, was 10% of GDP created in the forestry sector. In Tab. I is provided an overview of aid from the year 2000 to 2004.

### Regional forest policy tools

Mission and position of higher local-administrative unit – Region, results from the Regions Act (Act No. 129/2000 Coll.) and related regulations. Counties manage their affairs independently, in the “independent authority” and also carry through their government, so-called “delegated powers”, as provided by law. One important tool is the Region subsidy policy.

Subsidy policy in forestry is the result of application of economic instruments of forest

I: *State subsidies for forestry in period 2000–2004 (mil. CZK)*

| Year                                                | 2000  | 2001 | 2002  | 2003 | 2004 |
|-----------------------------------------------------|-------|------|-------|------|------|
| State aids accordig to Act on Forests               | 246   | 275  | 284   | 221  | 213  |
| State subsidies for forest owners                   | 567   | 359  | 388   | 360  | 388  |
| Services for forest owners                          | 119   | 107  | 112   | 39   | 87   |
| Aids for afforestation of agricultural lands        | 77    | 100  | 89    | 82   | 19   |
| Subsidies to interest granted for loans in forestry | 21    | 24   | 37    | 14   | 13   |
| Subsidies for management in military forests        | 59    | 66   | 61    | 65   | 57   |
| Subsidies from State Environmental Fund             | 53    | 61   | 126   | 11   | 7    |
| Total Subsidies                                     | 1 142 | 992  | 1 097 | 792  | 784  |

Source: Ministry of Agriculture Czech Republic

policy, and as such should to take into account other instruments of forest policy. Targeted application of established regional forestry policy is very important for promoting the interests of Region in the forestry area. The forest policy tools include:

- Economic (improvement, support);
- Regulatory (repressive);
- Information (persuasive).

Law No. 1/2005 Coll., which changed the allocation scheme of tax revenues, in addition devolved authority to the Regions to decide about provision on financial contributions and services. Even the legislative initiative, which is entrusted to the county council in Article 41, paragraph 2 of the Constitution of the Czech Republic, can be a tool for influencing the national and by that also regional forest policy. Regional office options to systematically influence forest management in forests in region are given by the administrative responsibility, which correspond well with the critical requirements for sustainable

forest management. While performance of wood-production function of forest fully meet the legal and economic attributes laid on forest as a property and the mean of production, non-wood production functions correspond to the attributes of a public good.

The initial position of forestry according to Regions in the year 2005 is displayed in Tab. II.

In 2008 the Czech Government adopted by decree the National Forest Programme of the Czech Republic for the period until 2013 (Programme). Already in the introduction is quoted motto: "Strong economic performance must go hand in hand with the sustainable use of natural resources" (see the guiding principles for the Common Agriculture Policy, Market Policy and Rural Development Policy. "The European Council, Goteborg, 2001). In the resolution the Government of the Czech Republic recommends to the Region governors and the mayor of the City of Prague to take into account the objectives of the Program Medium Regional

II: *Basic characteristics of forestry by Region*

| Region                   | Forest land area | Forest coverage | Felling and removals                  |             | Forest regeneration |
|--------------------------|------------------|-----------------|---------------------------------------|-------------|---------------------|
|                          |                  |                 | conifers                              | broadleaves |                     |
| unit                     | (ha)             | (%)             | (m <sup>3</sup> b. k. <sup>1)</sup> ) |             | (ha)                |
| Czech Republic           | 2 652 941        | 33.6            | 13 883 297                            | 1 627 249   | 18 318              |
| The City of Prague       | 4 932            | 9.9             | 8 133                                 | 6 792       | 18                  |
| Central Bohemia Region   | 305 890          | 27.8            | 1 476 466                             | 183 536     | 2 431               |
| South Bohemian Region    | 378 152          | 37.6            | 2 257 206                             | 86 714      | 2 082               |
| Plzeň Region             | 298 898          | 39.5            | 1 619 485                             | 54 881      | 1 777               |
| Karlovy Vary Region      | 143 514          | 43.3            | 839 443                               | 25 872      | 1 050               |
| Ústí Region              | 159 181          | 29.8            | 265 795                               | 80 027      | 1 429               |
| Liberec Region           | 140 145          | 44.3            | 471 145                               | 48 756      | 825                 |
| Hradec Králové Region    | 147 388          | 31.0            | 649 551                               | 63 883      | 803                 |
| Pardubice Region         | 133 112          | 29.5            | 750 727                               | 70 170      | 846                 |
| Vysočina Region          | 206 255          | 30.4            | 1 562 478                             | 45 539      | 1 513               |
| Southern Moravian Region | 201 789          | 28.0            | 695 106                               | 350 116     | 1 608               |
| Olomouc Region           | 183 382          | 34.8            | 1 029 671                             | 186 861     | 1 306               |
| Zlín Region              | 157 285          | 39.7            | 831 211                               | 326 494     | 1 069               |
| Moravian-Silesian Region | 193 018          | 35.6            | 1 426 880                             | 97 608      | 1 561               |

Source: Czech Statistical Office, data for National Forest Programme (2005)

<sup>1)</sup> under bark

Policies and to work out the Regional Development Programs for Forestry.

### Regional subsidy policy in relation to forestry

Before the year 2004, financial funds for forestry were provided almost exclusively by Ministry of Agriculture. The amount in the nineties was around one billion CZK. In following years, as a result of a number of austerity measures on the level of the state budget, the amount decreased and due to inflation have reduced its value. For example it was stopped the contributing to non-productive functions of forests and the reclamation and torrent control and it was impossible to index rates in the way they would reflect the actual price developments.

In the year 2004, the accession to the EU acceded to these resources even more resources from EU structural funds, for forestry especially from the European Agricultural Guidance and Guarantee Fund in which the fund opened following programs: Operational Programme Rural Development and Multifunctional Agriculture for 2004–2006 and Horizontal Rural Development Plan for the period 2004–2006. Although these new forms of support complemented and replaced the declining volume of national resources and provided new opportunities to obtain grants for activities that

are not yet supported (for example machinery equipment investment), considerable administrative and financial requirements of the projects was reason for a slow start in the implementation of applications. The disadvantage of this form of support was also the assumption of a certain economic strength of the applicant, because the subject must first fund the entire project from its own resources. The grants are paid retrospectively, sometimes with considerable delay.

From 1. of January 2005 began a significant change in the financing of forestry by adoption of Amendment on budgetary determination of taxes. By this Act was also indirectly amended the Act on Forests. The purpose of this legislation was to strengthen the autonomy of the Regions increasing their share on revenue from taxes. The application of this amendment to the transfer of funds in the amount of CZK 505 million for the financial contributions and compensation from the Ministry of Agriculture budget to the budgets of counties, which are no longer intended purpose.

The situation of supporting the forestry from the regional budgets is not united. Many counties took advantage of autonomous decisions about the direction of their financial resources and have developed their own rules for granting of subsidies for forestry, which do not copy the rules issued

### III: Subsidies provided by the Regions in the year 2011

| Region                   | Regeneration of forests damaged by air pollution | Reforestation establishment of stands and their tending | Grouping of the small-sized forest owners | Ecologically and nature friendly technologies | Other forest management | Total subsidies (in mil. CZK) |
|--------------------------|--------------------------------------------------|---------------------------------------------------------|-------------------------------------------|-----------------------------------------------|-------------------------|-------------------------------|
| Central Bohemia Region   |                                                  | +                                                       |                                           |                                               |                         | 22                            |
| South Bohemian Region    |                                                  | +                                                       |                                           | +                                             |                         | 27                            |
| Plzeň Region             | +                                                | +                                                       |                                           | +                                             |                         | 27                            |
| Karlovy Vary Region      | +                                                | +                                                       |                                           | +                                             |                         | 10                            |
| Ústí Region              | +                                                | +                                                       |                                           |                                               |                         | 10                            |
| Liberec Region           |                                                  | +                                                       |                                           | +                                             |                         | 7                             |
| Hradec Králové Region    | +                                                | +                                                       |                                           | +                                             |                         | 17,5                          |
| Pardubice Region         |                                                  | +                                                       |                                           | +                                             |                         | 16                            |
| Vysočina Region          | +                                                | +                                                       |                                           | +                                             |                         | 22,5                          |
| Southern Moravian Region |                                                  | +                                                       |                                           | +                                             |                         | 25                            |
| Olomouc Region           |                                                  | +                                                       |                                           | +                                             |                         | 13,5                          |
| Zlín Region              |                                                  | +                                                       |                                           | +                                             | +                       | 15                            |
| Moravian-Silesian Region | +                                                | +                                                       |                                           |                                               |                         | 21                            |

Source: Forest Management Institute, Brandýs n. L.

by the Ministry of Agriculture as an attachment to the state budget. The result is that in some Regions, some activities are not supported. There is a differentiation of supporting the same activities across the Czech Republic and in some Regions entirely new provisions are supported.

The situation is also complicated by the obligations of Member States of European Union to adapt national supports to treaties establishing the Community and also notify all supports provided to the European Commission, which assesses their compliance with the principles of free competition and can deliver them as a last resort to stop. Practically therefore the implementation of the regional subsidy policy on forestry may vary

in terms of rules of national subsidy policy, which in turn must respect the commitments towards EU in this area. Rules for use of funds at the regional level, as well as grant programmes announced by the initiative of the Region must be set so that it is not possible to draw subsidy for the same item from another grant source, such as national.

The situation of forestry support from the regional budgets in the year 2011 is shown in Tab. III.

The total amount of aid in the year 2008 reached 322.1 million CZK, in the year 2011 to be in the amount of CZK 234 million.

Regarding the contributions from the capital City of Prague, Prague has dedicated funding grants through grant aid.

### SUMMARY

This paper has the goal to meet with the current state of forestry within higher local-administrative units from the perspective of public administration and to suggest some possible directions, which may take further development in the researched field. As seen above, public authorities have significant possibilities to influence further development in some areas of forestry. These options are not used yet very much and are still an open question.

Setting the correct direction is not a simple matter. The preparation of conditions and the possibility of actual implementation of aids aiming to forestry is a very sensitive issue that need to be clearly involved not only at the Region office level, but also professional forestry public. Experience shows that the fulfillment of essential requirements for sustainable forest management can be achieved only by a planned and skilled use of complex of legislatively, politically repressive and economically accessible, supportive and educational instruments of state and regional forest policy.

National Forestry Programme of the Czech Republic for the period up to 2013 contains a number of measures to address these problems. It depends on how the matter will be handled, and particularly realized.

In any case, everything that increases the role of the Regions, and finally – for forestry here are opening new perspectives.

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