



This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Lieksa Development Agency Ltd and can under no circumstances be regarded as reflecting the position of the European Union.

Activity 1.2.

Review of Administrative Conditions

The forests are basically leased by joint-stock companies, former forestry farms (leshoz). These companies have been carrying out timber cuttings for decades first in their own raw-material bases and now in leased territories. Joint-stock companies do not have direct submission to the Committee of Forest and Mining Industry (Goslesgorprom) of the Republic of Karelia. The Committee can influence the work of joint-stock companies by determining conditions while transferring forests for lease. The legislation of the Russian Federation establishes two ways of transfer of forests for lease: by decision of enforcement authority of the subject of the Russian Federation for the term from one till five years and by tendering for the term from one year till 49 years. Besides, civil servants are members of Boards of directors of such enterprises, where part of shares is in a state ownership, and also influence accepted decisions.

The Committee of Forest and Mining Industry (Goslesgorprom), as the public authority of the Republic of Karelia, takes direct participation in implementing of powers of the subject of the Russian Federation (RF), assigned to the subject of the RF by article 47 of the Forest Code of the RF (making decisions on granting forest parcels for lease – up to five years, on short-term using, on putting forest parcels out to tender, on establishment of rates of forest taxes etc).

Granting of forest parcels (both for lease and for short-term using) shall be carried out according to the Forest Code of the RF and Decree of RF Government № 73-P from August, 12, 1999 *About the Order of Granting of Forest Parcels for Lease and Short-term using*. The Decree authorizes the order of granting of forest parcels for lease in the RF and the order of granting of forest parcels for short-term using in the RF. The given Decree concretises requirements of Forest Code of RF.

For example, the following demands will be placed for a forest-user applying for a forest parcels for lease:

1. carrying out of timber cutting activity in the given territory (area and republic) not less than 10 years;

Lieksa Development Agency Ltd
Kerantie 26, 81720 Lieksa, Finland
tel: +358 13 689 4046
fax: +358 13 523 165

The Oulu Region Joint Authority for Vocational Training
PL 213, 90101 Oulu, Finland
tel: +358 8 3126 111
fax: +358 8 3126 199

The State Committee of the RK on Forest and Mining Complex
Andropov street 2, 185035 Petrozavodsk, Russia
tel: +7 8142 76 81 63

OOO Uchebnyj Centr
Andropov street 2/24, 185670 Petrozavodsk, Russia
tel: +7 8142 76 62 72
fax: +7 8142 76 24 99



Development of the operational environment of the Karelian forest industry SME's

Развитие предпосылок эффективного функционирования малых и средних предприятий лесного комплекса Республики Карелия

This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Lieksa Development Agency Ltd and can under no circumstances be regarded as reflecting the position of the European Union.

-
2. presence of capacities on logging and processing of wood, capable to master not less than 90 % of one year volume of rated forest using.

To a category of forest users, having the right to get forest parcels for lease, belong logging enterprises, agricultural enterprises, the enterprises formed by the way of privatisation or reorganization on the basis of the former enterprises of Russian Forest

Industry (Roslesprom), Russian Fuel Industry (Rostopprom), the Ministry of Defence, and also the enterprises created on the basis of property complexes of enterprises-bankrupts.

The order of consideration of materials is following:

1. Submission by a forest user of a written application in forestry farm with the appendix of a package of necessary documents (documents of the state registration, the corporation charter, the reference on registration in tax service, the reference from tax inspection on absence of debts on forest taxes, brief economic and technical characteristics (under the form).
2. Consideration and coordination of applied parcels (quarters) in forestry farms, institutions of local government of area (the decision of session), the Administration of Natural Resources (UPR) in Republic of Karelia (statement).
3. Consideration and preparation of the conclusion on presence of available capacities by the State Committee of Forest Industry (Goslesprom) of the Republic of Karelia
4. Consideration of the issue at session of the Commission of Raw Wood Materials (Lesosyrjevaja komissija) with the fixation of accepted decision-recommendation in the Minutes.
5. At the positive decision - preparation of the project of the Order of the Government of the Republic of Karelia, its coordination and signing by the chapter of the Republic of Karelia.
6. On the basis of the accepted decision - signing of the contract on lease with a forest farm and its registration in the Ministry of Justice of the Republic of Karelia.

For short-term using forests can be given for satisfaction of needs of budgetary establishments (general educational establishments, preschool general educational establishments and other establishments financed completely by means of federal budgets, republican budgets and budgets of self-administrated territories of the Republic of Karelia) in construction and repair, for agricultural organizations and the population, settling down or living in the given territory.

Work on preparation of the application in each district begins in institutions of local government of area. The application for the next year with the appendix of a package of documents should be represented by institution of local government of area to forestry farm till July, 25 of the current year. It is necessary, that among the documents there are

Lieksa Development Agency Ltd
Kerantie 26, 81720 Lieksa, Finland
tel: +358 13 689 4046
fax: +358 13 523 165

The Oulu Region Joint Authority for Vocational Training
PL 213, 90101 Oulu, Finland
tel: +358 8 3126 111
fax: +358 8 3126 199

The State Committee of the RK on Forest and Mining Complex
Andropov street 2, 185035 Petrozavodsk, Russia
tel: +7 8142 76 81 63

ООО Учебный Центр
Andropov street 2/24, 185670 Petrozavodsk, Russia
tel: +7 8142 76 62 72
fax: +7 8142 76 24 99



This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Lieksa Development Agency Ltd and can under no circumstances be regarded as reflecting the position of the European Union.

an application (a proved offer), an economic calculation of needs in wood-cutting area (for legal persons - coordinated with the Committee of Forest and Mining Industry (Goslesgoprom) of the Republic of Karelia).

Further, forestry farms prepare and represent a consolidating plan of distribution of forests (till August, 1) to the Administration of Natural Resources (UPR) in the Republic of Karelia. The last one (till August, 20) prepares the project of the plan of distribution to the next year and places it for consideration at the meeting of the Commission of Raw Wood Materials.

After acceptance by the commission (in term of 20 days) of same decisions-recommendations - the project of the Order of the Government of Republic of Karelia (term of 10 days after reception of the report of the commission) will be prepared.

Used practice of granting of forest parcels corresponds to requirements of item 33 of *Rules of Selling of Forest on Root in Forests of the RF*:

"Timber-cutting fund for forthcoming year is meant for giving wood-cutting areas to forest-users by way of sequence:

- a) on the basis of the made contracts for long-term using of forest parcels;*
- b) for satisfaction of needs for wood of general educational establishments, preschool general educational establishments and other establishments financed by means of the corresponding budget, and also agricultural organizations and the population;*
- c) by results of forest auctions "*

Except of normal lease and short-term using the forest estate can be received for lease by tender.

By the Order of Government the Republic of Karelia (RK) from 26.01.2000 № 7-r-P according to article 34, 35 of Forest Code of the Russian Federation and by Regulations about carrying out of forest tenders on transfer of forest parcels for lease authorized by Order of Federal Forestry Service of Russia from September, 30, 1997 № 132 123 had been formed the Commission on carrying out of forest tenders, its staff was authorized. The new staff of the Commission is authorized by Order № 241 r-P of RK Government from 23.06.2003.

By results of forest tender up to 01.01.04 for lease have been transferred forest parcels in total volume of 2,2 million cubic metres, which makes 35 % from total rated forest using by leased forest parcels (6,1 million cubic metres).

All issues of granting of forest-estate parcels for lease and short-term using are considered at sessions of the Commission of Raw Wood Materials. The commission has been

Lieksa Development Agency Ltd
Kerantie 26, 81720 Lieksa, Finland
tel: +358 13 689 4046
fax: +358 13 523 165

The Oulu Region Joint Authority for Vocational Training
PL 213, 90101 Oulu, Finland
tel: +358 8 3126 111
fax: +358 8 3126 199

The State Committee of the RK on Forest and Mining Complex
Andropov street 2, 185035 Petrozavodsk, Russia
tel: +7 8142 76 81 63

ООО Учебный Центр
Andropov street 2/24, 185670 Petrozavodsk, Russia
tel: +7 8142 76 62 72
fax: +7 8142 76 24 99



This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Lieksa Development Agency Ltd and can under no circumstances be regarded as reflecting the position of the European Union.

founded in November, 1998 with the purpose of putting in order problems in granting logging areas, increase of efficiency in using of forest resources.

The new staff of the Commission is authorized by Order of Government of the RK №102-P 25.08.2003.

Government of the RK is interested in effective work of forest-users, in increase of receipts in republican and local budgets, in the most complete mastering of rated wood-cutting area, in increase of feedback from everyone prepared cubic metre of wood. Therefore the requirements to forest users on effective development of granted forests raise, regarding both leaseholders (transition to tender lease, forest taxes payments for all leased forests, control over work and tax payments, tax loading) and "short-term forest-users" (agricultural enterprises, administrations of Districts etc).

The terms of transfer of forest parcels for rent by tender are developed with the direct participation of the Committee. At implementation of forest tenders will be taken into account the obligations and historically developed traditions on maintenance of social sphere of forest settlements by logging enterprises.

In this connection there is a concern about the project of the new Forest Code of the Russian Federation offered by the Ministry of Economic Development of the RF, which provides transfer of forests not by results of forest tender but only by results of forest auctions. Carrying out of this principle will have negative consequences for the population of forest settlements.

One of the basic differences of the new project of the Forest Code of the Russian Federation developed by the Ministry of Economic Development and Trade of the RF, is granting of forest parcels for lease by results of auctions. This approach is directed exclusively on increase in budgetary funds, but does not lead to increase of efficiency in maintenance and use of Russian forests, to modernization of industrial potential of the branches of Timber Industry Complex, to development of social sphere of forest areas, to realization of investment projects on modernisation of the branch, that in turn never will give doubling of gross national product in forest industry.

In case of acceptance of the project of Forest Code, any legal person, including foreign person, can become a leaseholder or a proprietor of forest, even not having capacities for mastering of forest parcel, experts, material resources. Forest parcel can be founded again and for this reason it can do not have any debts for budget.

In article 3 of the project *Principles of the Forest Legislation* the separation of functions is proclaimed:

Lieksa Development Agency Ltd
Kerantie 26, 81720 Lieksa, Finland
tel: +358 13 689 4046
fax: +358 13 523 165

The Oulu Region Joint Authority for Vocational Training
PL 213, 90101 Oulu, Finland
tel: +358 8 3126 111
fax: +358 8 3126 199

The State Committee of the RK on Forest and Mining Complex
Andropov street 2, 185035 Petrozavodsk, Russia
tel: +7 8142 76 81 63

ООО Учебный Центр
Andropov street 2/24, 185670 Petrozavodsk, Russia
tel: +7 8142 76 62 72
fax: +7 8142 76 24 99



Development of the operational environment of the Karelian forest industry SME's

Развитие предпосылок эффективного функционирования малых и средних предприятий лесного комплекса Республики Карелия

This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Lieksa Development Agency Ltd and can under no circumstances be regarded as reflecting the position of the European Union.

-
1. normative legal regulation of use, protection and reproduction of woods (protection of woods is absent);
 2. disposal of forests;
 3. supervision of observance of forest legislation.

Three federal organs are mentioned further in the text of the project:

1. The authorized federal enforcement authority in the field of normative legal regulation, use, protection and reproduction of woods (Articles 6, 20, 30, 31, 42, 43, 52, 70, 71 of the Projects);
2. The authorized federal organ of State Power (in other places – of Executive Power) in the field of the disposal of forests (articles 26, 30, 31, 41, 49, 51, 54, 58, 64, 65, 66 of the Project);
3. Federal enforcement authority on supervision of observance of the forest legislation (articles 30, 31, 45, 46, 47, 48, 53 of the project).

The structure of the named organs is not explained, it's not clear how these organs are presented at a level of the subject of the Russian Federation, a forestry farm, a Forest District. The interrelation of these organs is not clear. For example, there are two state forest protection structures in the project (articles 74 and 75 of the project), one of them is subordinated to federal enforcement authority on supervision of observance of forest legislation and is engaged in protection of woods from infringements, and the other is subordinated to federal enforcement authority on disposal of forests and is engaged in protection of woods from fires.

4. There is no article in the project similar to article 58 of working Forest Code of the Russian Federation *Federal Organ of Forestry Farm Management*. There are no mentions of a forestry farm, a Forest District, a logging ticket, a forest ticket. It's not clear, how will be carried out selling of woods in the process of others kinds of loggings (e.g. construction, lines of transmission of electricity and so forth), selling of wood on a root to the local population, and also selling of forests for short-term using during the wood-cuttings of main purpose.

As a whole the offered project of the Forest Code of the Russian Federation changes considerably the existing system of forestry management.