



SUCCESS CASES AND GOOD PRACTICES IN FOREST OWNERS' ORGANIZATIONS IN EASTERN EUROPEAN COUNTRIES



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Acronyms

CEPF	Confederation of European Forest Owners
EFICEEC	European Forest Institute Central-East European Regional Office
ELO	European Landowners Association
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FECOF	European Federation of Municipal Forest Owners
FOA	forest owners' association
FOAL	Forest Owners' Association of Lithuania
FOC	forest owners' cooperative
FOO	forest owners' organization
MEGOSZ	Association of Hungarian Private Forest Owners (Hungary)
NGO	non-governmental organization
PEFC	Programme for the Endorsement of Forest Certification Schemes
SVOL	Association of Municipal and Private Forest Owners (Czech Republic)
VAT	value-added tax
ZOL	Association of Municipal Forests (Slovakia)

1. Introduction

Since the early 1990s, Eastern European countries have experienced institutional changes following the breakdown of communism. In the field of forestry, these changes have included the reorganization of forestry administration and management, and the restitution and privatization of parts of State-owned forests.

Following the restitution of landownership in Eastern European countries, the new private forests are often highly fragmented holdings, and the new forest owners typically lack knowledge and experience of forest management. Forest owners' organizations (FOOs) are an instrument for supporting the sustainable management of private forests and an appropriate option for overcoming new challenges. However, experience of working through interest groups is lacking in the former socialist countries.

In 2011, the European Forest Institute Central-East European Regional Office (EFICEEC) conducted a study for FAO to improve knowledge on the origins, evolution and current situation of forest owners' associations and cooperatives in selected Eastern European countries, assess their effectiveness, and analyse lessons learned from experience of legislation, policies, strategies, institutional support and economic aspects (FAO, 2012).

This follow-up study on successful FOOs of different types is based on the results and conclusions of the FAO 2012 study. It covers forest owners' associations (FOAs), with the main aim of representing their members' interests in the political arena; and forest owners' cooperatives (FOCs), with the main aim of facilitating business cooperation.

The establishment of an association/interest group for collective action is challenging (Olson, 1973/1965) when the result of the work of the organization – such as consideration of private forest owners' interests in the forest law – is a public good that benefits all owners. This makes it difficult to organize a large interest group because individual group members may decide not to contribute voluntarily to the group's efforts when they perceive their own small contributions as making no noticeable difference while they will benefit from the joint action whether they participate or not (the free-rider problem). One way of improving participation in interest groups/associations is through coercion by the State, such as the obligatory membership in chambers of agriculture in Austria; another is for the association to offer exclusive incentives to active members, such as information services. It should be noted that other factors may influence the participation or non-participation in interest groups, including a level of resentment against collectivism in former socialist countries.

According to cooperative theory, the success of a cooperative depends on: i) acting efficiently as a coordinating institution; ii) achieving economies of scale; iii) having an adequate number of members; and iv) ensuring that members gain social satisfaction. One theory of cooperation holds that cooperative members also have other non-economic incentives to join or create this type of enterprise. This literature says that social aspects are crucial to cooperative organizations and that for a cooperative to function, there must be trust among the members, mutual understanding, a feeling of community, common perceptions of problems, etc. (Hakelius, 1996).

This study aims not only to facilitate the healthy and sustainable development of FOOs in Eastern European countries, but also to contribute to a larger best practices document for forest producer organizations in developing countries around the world.

2. Methodology

The objective of this report is to identify success cases and good practices from FOOs in Eastern European countries, based on a set of criteria, and to analyse common factors for success.

Case study selection

The report describes five FOOs from five Eastern European countries. These organizations represent the different types of FOO in the region, and have different objectives, approaches and scales. The selected cases are judged as successes and/or good practice examples from the region, according to criteria established in FAO, 2012.

The following FOOs were selected based on their strong representativeness and demonstration effect as examples of the different types of FOO in Eastern Europe (FOAs and FOCs), and to ensure geographic coverage of the whole region – north, central and south:

- Czech Republic FOA: Association of Municipal and Private Forest Owners (SVOL);
- Hungary FOA: Association of Hungarian Private Forest Owners (MEGOSZ);
- Slovakia FOA: Association of Municipal Forests (ZOL);
- Lithuania FOC: FOC Aukštaitijos šilas;
- Romania FOC: FOA Marsani.

Three FOAs (for political representation) and two FOCs (for business cooperation) were selected. It should be noted that these terms are not used consistently; Marsani is called an association although it is of the cooperative type as defined in this study.

Criteria for assessing the case studies

Criteria and guidelines were defined with FAO. This report describes each of the selected FOOs in terms of four working areas:

- a) organizational structure – members' participation, human resources, financial management, governance, membership-based and specialized groups within the FOO;
- b) institutional development – networking and formal arrangements;
- c) participation in policy and advocacy – influence on policy-making, advocacy and communication, and local governance;
- d) forest owners' economic development – marketing/enterprise development, finance, business development services, access to information and knowledge, research and development.

The data used comprise the expert knowledge of the co-authors (study partners from the respective countries), data collected for the previous study (FAO, 2012) and data collected in the course of this study through interviews with representatives of the FOOs.

3. Types of forest owners' organization

FOOs comprise FOAs and FOCs. Both of these types are based on non-State and non-industrial private forestry, which excludes all public sector forests, all industrial forests owned or leased by processors and all forests held by charitable organizations and other non-governmental organizations (NGOs). The study focuses on associations and cooperatives whose members are mainly individual owners, group owners and communities.

FOOs' agendas can be classified into two broad categories: FOCs focus on management, marketing support and providing services such as technical and financial support and information and knowledge sharing; and FOAs focus on political support, including by representing private forest owners in policy processes, advocating and influencing policy and legal frameworks. FOAs are usually larger (national level) and thus able to provide both political and business support services, while FOCs are smaller and typically focus on business support. These organizational situations vary from country to country, and there are exceptions and modifications.

According to the FAO study (FAO, 2012), in Eastern European countries FOOs are usually established to serve a specific geographical area (regional organizations) and/or a specific kind of ownership (as in Slovakia). Many FOOs are a mix of these types. As joint forest ownership has historical roots in Central Europe, some countries have retained long-established FOOs (e.g., Hungary, Romania and Slovakia). In terms of the services they offer, FOOs can be divided into those that focus on representing interests and those that focus on business cooperation. Again, however, these categories overlap, with many organizations offering a range of services that cover both, such as the provision of information and advice.

4. Success cases

Czech Republic: Association of Municipal and Private Forest Owners (SVOL)

Background

Most forests in the Czech Republic are owned by the State (61.5 percent); municipalities, their forestry commissions and communities own 17 percent; and private owners own 19 percent. Of the 1 596 700 ha total area of forest owned by the Czech Republic, 1 340 800 ha is administered by the Czech Forestry Commission, 125 000 ha by Army Forests and Estates of the Czech Republic, 6 000 ha by the Office of the President of the Republic, and 95 600 ha by the National Parks Administration.

SVOL is a nationwide voluntary non-profit organization of non-State forests owners, which dates back to 2 April 1992, when the constituent general meeting of the Association of Municipal Forests Owners was held. In 1989, the Law on Restitution was adopted, initiating a process of organizing both former and new forest owners. The Czech State returned forest properties to the communities that had owned them prior to 31 December 1949, but the process of transferring land back to its previous owners caused many problems, because forest legislation from the communist period was unsuitable for the new situation.

To overcome this challenge, the new forest owners decided to organize themselves. They found a good historical model in the pre-Second World War loose associations of forest districts in Bohemia, Moravia and Silesia, which in 1938 had 671 members managing 50 percent of the republic's forests and woods. SVOL was established based on this example. At the beginning of its existence, SVOL had 93 members, and membership was limited to communities and towns. A few years later, other categories of non-State forest owners were allowed to join SVOL, making it the biggest and most important FOA established since the political changes initiated in November 1989.

The dominant position of the State Forest Enterprise on the timber market, a rapid concentration of customers and the formation of new wood processing capacities, forced the private forest owners and managers of municipal and private forests in SVOL to establish joint timber trading so they could strengthen the position of the non-State sector on the market.

Institutional arrangements

Organizational structure: SVOL represents more than 1 010 non-State forest owners (communities, towns, private owners, forest cooperatives and unions of small-scale owners) managing 360 000 ha of forests, which represent 14 percent of the country's total forest area.

SVOL has two chambers: the Private Forest Chamber, and the Communal Forest Chamber (Figure 4.1). The Private Forest Chamber is a legal entity and is a collective member of SVOL. Its chairperson is the first vice-chairperson of SVOL. The separation of the two chambers is only formal in character; all members abide by the same conditions.

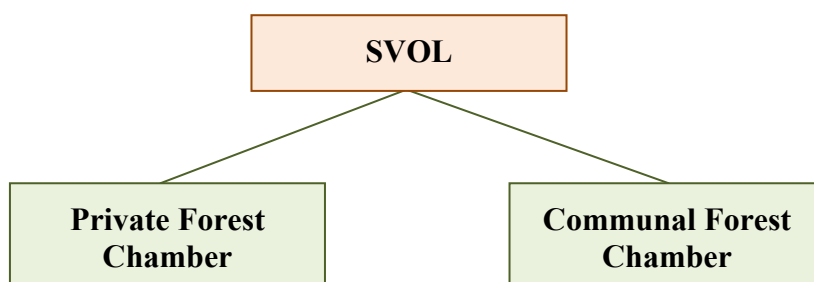


Figure 4.1: Organizational structure of SVOL

The Republic Conference is SVOL's primary body. Its plenary session is held once a year to share and update information and make important decisions at the national level, such as agreements on SVOL strategy for the future and evaluations of the joint timber trade. Between conference sessions, SVOL is led by the Republic Committee, whose members are the SVOL Board and representatives from the regional organizations. The SVOL Board is the executive body, which represents SVOL publicly (Figure 4.2) and is elected for a two-year period. All these bodies cooperate and all can contribute to and make points during the Board's discussions at the Republic Conference.

SVOL members pay regular membership fees, the amount of which depends on the forest area they hold (Table 4.1). The revenue raised is used mainly for administration costs, organization of the Republic Conference and other SVOL activities such as field trips or expert consultations for its members.

Table 4.1: Membership fees

Forest area (ha)	Fee (CZK)	Fee (US\$)*
0–50	600	32.2
51–100	900	48.3
101–1 000	10/ha	0.5
1 001–2 000	12 000	643.6
2 001–3 000	15 000	804.5
3 001–4 000	18 000	965.5
4 001–5 000	21 000	1 126.4
> 5 001	24 000	1 287.3

* CZK 18 644 = US\$1 (2011).

The membership fee for a forest owner with forest area of more than 100 ha and certification by the Programme for the Endorsement of Forest Certification Schemes (PEFC) is reduced by about CZK 1 per hectare of forest area. New members pay an enrolment fee equivalent to about 25 percent of their regular membership fees.

SVOL respects the principles of gender equality and its Statute stipulates that men and women members have the same rights and obligations .

Institutional development: At the outset, SVOL membership was limited to communities and towns. In 1996, several forest community cooperatives and private owners applied for membership and it was decided to allow other non-State forest owners to join. This change in the statute and the name of the association (from the Association of Municipal Forest Owners to the Association of Municipal and Private Forest Owners) was approved at the plenary session in April 1998. This step has brought a significant strengthening of the member base and a fundamental change in the association.

As decided by the plenary session, in 2000 the Executive Committee started to formulate plans for the regional organization of SVOL. Following reorganization of the State administration and the transferral of competencies from the ministries to organizations at the regional level, SVOL developed a regional structure to strengthen cooperation among its members.

The new organizational structure was approved at the plenary session in 2002, and SVOL now has nine regional organizations – Jihočeský, Jihomoravský, Karlovarský, Plzeňský, Severní Morava, Severočeský, Středočeský, Vysočina and Východočeský – each of which develops its own activities in consultation with neighbouring regions.

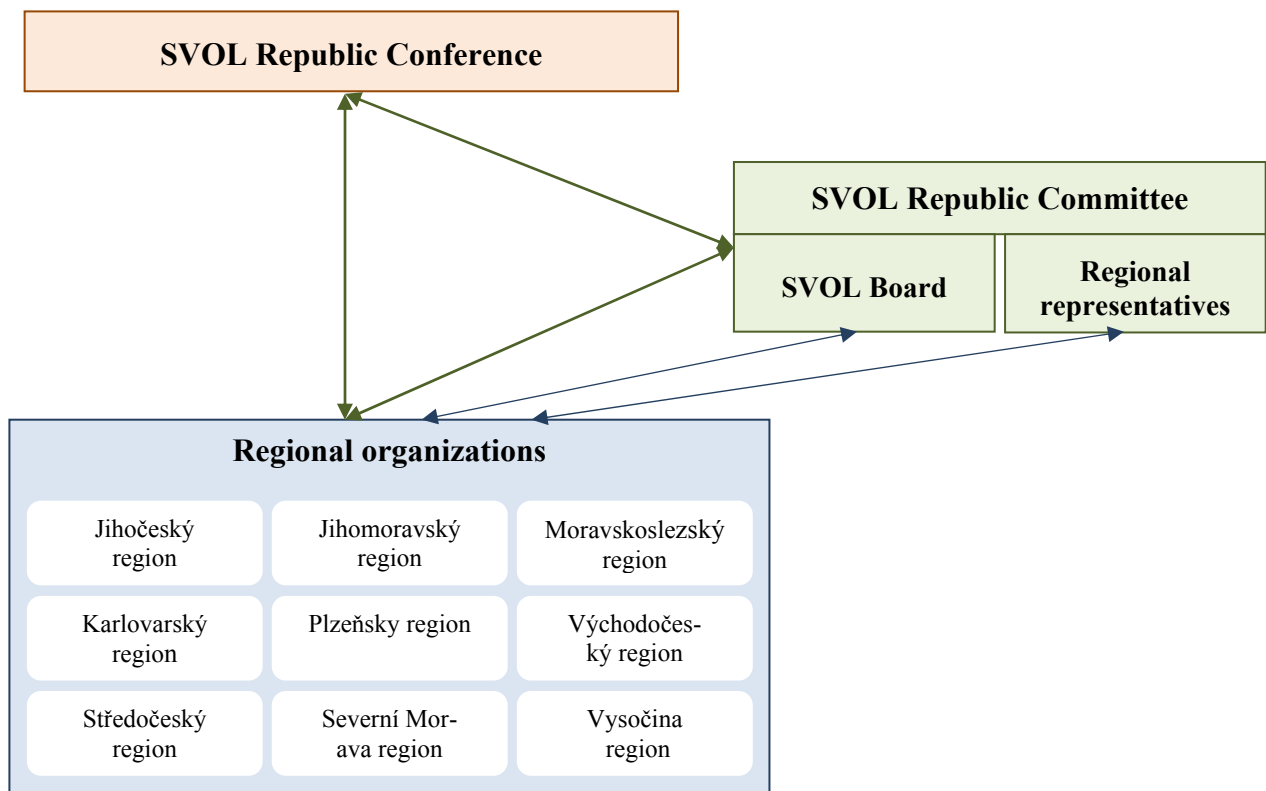


Figure 4.2: SVOL internal operations

SVOL has been a member of the European Federation of Municipal Forest Owners (FECOF) since March 1999, and a member of the Confederation of European Forest Owners (CEPF) since March 1999. In 2005, it became a member of the European Landowners Association (ELO), an umbrella organization of forest, agricultural and fishpond owners.

Participation in policy and advocacy: Since the outset, SVOL has focused on a few areas for its activities. One of its first main political activities was safeguarding the interests of the original municipal forest owners during the restitution process. This made it necessary to draw up a policy for the development of the association, which at the beginning was mainly informal.

Defending forest owners' interests was a demanding task that was successfully achieved through the involvement of enthusiastic individuals. Such engagement was of crucial importance to SVOL's establishment. Advocacy for members interests gradually developed from the informal to the formal level as professional relations evolved, causing a need for changes in SVOL's internal structure and the standardization of its policy. Reinforcement of SVOL's structure through the establishment of regional organizations generated government interest in involving SVOL in negotiations concerning forestry issues.

Communication and cooperation are based mainly on personal relations at both the national and regional levels.

Forest owners' economic development: The main principle of SVOL is to ensure healthy and prosperous forests for today and future generations. This means managing forests in a sustainable manner, recognizing the three pillars of sustainable development (ecologic, economic and social). In achieving this goal, SVOL activities perceived as important elements for economic development include joint timber trading, with collaboration at the national level, and joint purchases of chemical detergents, with collaboration within regions.

SVOL sees information sharing as an important contribution to economic development. It publishes a bulletin three times a year providing relevant and updated information. Urgent matters are communicated to SVOL members immediately via e-mails from the Secretariat.

Currently, cooperation with research institutions is not among SVOL's main interests, although some members have stressed that this type of cooperation would be useful for both sides. However, research institutions do little to promote their own capacities and potential, and foresters and experts are not informed about the possibility for cooperation.

Results and impacts

Organizational structure: The changes to SVOL's structure and strategy led to an expansion of its activities to include monitoring developments in the forest sector and adapting its statutory rules and orders to these developments; organizing workshops and field trips for the owners and administrators of non-State forest properties; carrying out joint purchases of forest materials within regions; and offering advisory services and legal consultancy for members.

Institutional development: By including private forest owners among its members, SVOL consolidated its position, influence and importance not only in the Czech Republic but also in neighbouring countries and the European Union (EU). SVOL made contact and started cooperation with relevant international associations and organizations.

Participation in policy and advocacy: SVOL played a decisive role in pursuing amendments to the Act on Land Reform, thus enabling the transfer of real property¹ to former municipal forest cooperatives. Thanks to SVOL's efforts, historical forests in national parks, and the real properties, private roads and small buildings used for performing forest functions (e.g., for operating hunting rights) were reallocated to communities, pursuant to Decrees of the President of the Republic, or returned in compliance with Acts on Land Reform.

The establishment of SVOL regional branches made members more active and eager to cooperate. All the regions collaborate very well, and are interested in participating in national-level activities in addition to the annual conference.

SVOL's main tasks include participating in the formulation of forestry policy and advocating for respect of property rights, thus ensuring a balance among all aspects of forest management in relevant legal regulations. This approach emphasizes the social, economic and environmental benefits that community and private forest properties bring to the stability and development of country areas. SVOL's expertise also contributes to improved forest management. Activities for promoting sustainable forest management include supporting the PEFC certification of forests; promoting the consumption of wood as a renewable resource; and contributing to the organization and development of joint business mechanisms for long-term supplier-customer relations, which help stabilize markets and increase the value of the wood produced. With such activities SVOL is increasing the prestige of forest staff.

SVOL's forest policy provides the basis for sustainable forest management by guiding present and future decisions, identifying actions and providing direction over time. The SVOL strategy is based on a shared vision of forests and trees and their use, and is negotiated and agreed by its members. The main goals of the policy are to keep abreast of changing circumstances and enhance the value of forests.

Forest owners' economic development: The joint timber trade is attracting growing interest from important purchasers, especially those focusing on cooperation with non-State forest owners. SVOL guarantees specific volumes and delivery times for a range of timber products. In return, purchasers offer financial motivation and services such as transport organization and extensions on delivery dates. Framework conditions and obligations are set in cooperation agreements with SVOL, which are valid for one year.

¹ Real property includes land and all the buildings and other structures affixed to the land.

Currently, 44 percent of SVOL members take part in the joint timber trade, which is open for additional participants from within SVOL and for new purchasers. The joint timber trade enables owners to place their timber on the market with guaranteed timely purchases and interesting benefits. Purchasers benefit from the guarantee of smooth and fluent supplies at prearranged volumes.

Wood processing and purchasing organizations guarantee the same prices, benefits and due dates for all contractors involved in the SVOL joint timber trade. New contractors and purchasers can enter the system at the beginning of each quarter of the year.

Key to success: why does it work?

One of the key elements in SVOL's success is that membership is *open to various types of owner*, such as private forest owners, and owners of municipal or church forests. According to SVOL's Statute, State institutions (e.g. universities) can be accepted as members.

Individual private forest owners have realized that it is much easier to advocate for their own interests when they are part of an association. This is their main motivation for joining SVOL.

Members can take advantage of *technical and legal consultation*, including assessments of their forest management and participation in expert field trips.

The *establishment of regional organizations* has increased members' interest in forestry issues because the regional organizations plan and implement their own activities and focus on local issues, such as joint purchases of chemical resources, gauze, etc. Previously, a single central organization arranged all the activities in the country. Forest owners are more interested in the forestry situation in their own regions and can *share common issues* within their regional organizations and collaborate on addressing questions and problems.

Voluntary participation in the *joint timber trade* represents great potential for SVOL members and is seen as one of the key factors in SVOL's success. The approach and scope of the trade was based on Austrian experience. SVOL members that supply timber orders are eligible for financial bonuses. The joint timber trade works effectively and its volume of trade is increasing.

Conclusions: main lessons and future outlook

At present in the Czech Republic forestry receives little attention in government policies, which gives associations such as SVOL an important role in lobbying among policy- and decision-makers, and great potential to influence crucial decisions. In this context, the decision to establish regional organizations is very beneficial. Forest owners are more involved and interested in the forest sector when they can discuss their problems and issues at the sub-national level, with the possibility of presenting them at the national level when agreed. This seems to be a successful way of involving both large and small forest owners in discussions.

SVOL intends to maintain its current status and strengthen its position towards the State, especially regarding State forest policy. The number of members continues to increase and an important task of the SVOL Board is to maintain and extend cooperation among regions and abroad, because it is easier to advocate for and defend the interests of forest owners when they are speaking as unanimous body.

Another challenge for SVOL is to set up closer cooperation with research institutions, especially forest faculties, to obtain access to data and topics for discussion that highlight the forestry sector.

Stronger international cooperation and involvement in European activities, such as negotiations on new legislation, would also help counter the lack of strong government representation of the forest sector.

Hungary: Association of Hungarian Private Forest Owners (MEGOSZ)

Background

Hungary has relatively little forest cover, at approximately 20 percent of its territory. Natural forest cover is characterized by mixed broad-leaved forests, 57 percent of which are indigenous tree species.

Hungary maintains an efficient, accurate and detailed forest management planning system. Planning is carried out by the State Forest Service and provides for both private and State forest management organizations.

At the beginning of the communist era, large agricultural estates in Hungary were nationalized, while small estates were forced to join into cooperatives. As part of the political and economic reform of the early 1990s, approximately 40 percent of forest land was privatized. One way of implementing privatization was a voucher system in which citizens and their heirs were eligible for compensation vouchers if they had suffered financial losses or moral indignity for political reasons during the communist era. The vouchers were used in auctions of State-owned land designated for privatization. Another way of implementing privatization was through the allotment of agricultural cooperatives' forests among their members.

Following the privatization process, a significant share of the new private forests are in undivided common properties, for which forest management is subject to the agreement and cooperation of all the forest owners.

From the outset of the privatization process, forest policy encouraged new forest owners to adopt joint management forms. According to the regulation of that time, neighbouring forest areas that had had one forest manager before the privatization had to continue having only one after the privatization. The organizational form for managing these forest properties was the forest association, which allowed the distribution of forests among a large number of owners while management remained on a relatively large-scale.

Development of the private forestry sector started very slowly, partly because forest policy followed this model of large-scale forest management – which has a long tradition in Hungary (from the late nineteenth century) – although it was not favoured by the new owners. This period ended around 2000 when forest policy abandoned its former “safety approach” and sought more rational tools for supporting development and addressing specific problems more pragmatically.

Forest owners and their forest management organizations relied heavily on contractors and forest professionals as information sources until 2000, when forest service centres were established as private entities (companies or self-employed persons) referred to as “integrators”. The forest integrator enters strategic alliances with forest enterprises, in which the integrator provides the enterprises with expertise, marketing skills and business experience. This consultation service is based on a long-term contract, while the integrator's other services, such as forestry operations and timber trade, are negotiated case-by-case, with the integrator competing with other actors on the market.

Other changes in forest policy emerged as a consequence of Hungary's accession to the EU in 2004, when there was a shift from country-specific solutions to applying “EU solutions”. Since then, the national budget allocated to forestry has decreased, and forest policy has had to rely more and more on the European Agriculture Fund for Rural Development. The utilization of EU funds is regulated at the EU level, so the only tools available for forest policy are those stipulated by the EU. As problem areas and possible solutions are now regulated at the EU level, the set of tools available for forest policy is still expanding.

For the past 15 years, MEGOSZ has been one of the most active organizations for forestry in Hungary. Its distinctive characteristics are a clear focus on private forestry (while other organizations deal with more general forestry issues), and skilled and flexible management. Active participation in political processes has made MEGOSZ an essential part of forestry decision-making, and its growing prestige has made it a strong positive influence in increasing the acceptance of private ownership in forests, which raised concerns when the concept of privatization first emerged.

Institutional arrangements

Organizational structure: MEGOSZ was established in 1994 with 27 members. Today it has more than 1 400 members and two regional associations. It represents a total of more than 115 000 ha of forest.

Most members (approximately 90 percent) are men. MEGOSZ has no specific programme for encouraging women to register, but it applies the principle of gender equality in recruiting employees. Over the past ten years, approximately 50 percent of the Secretariat's employees have been women.

MEGOSZ has seven regional offices (Figure 4.3), which are on the premises of their voluntary members or cooperate with the State Forest Service. These offices provide information on forest management, official processes and available forestry professionals.

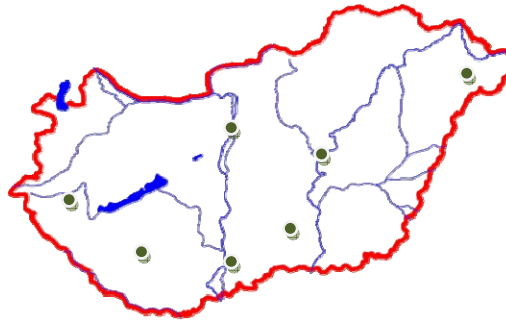


Figure 4.3: Locations of MEGOSZ's regional offices

The ultimate decision-making body is the General Assembly. The Board of Directors of seven elected directors² is engaged on a voluntary basis.

Administration is run by a Secretariat of two employees and the Executive Director. There have been fluctuations within the Secretariat, with staff numbers varying from two to five. The Executive Director is always a forestry professional, and the Secretariat has included a forester, a game manager, a lawyer and other relevant experts (Figure 4.4).

The daily tasks of the Secretariat include maintaining the flow of information through its mailing system and via the Web site,³ but MEGOSZ lacks financial resources for maintaining permanent office staff.

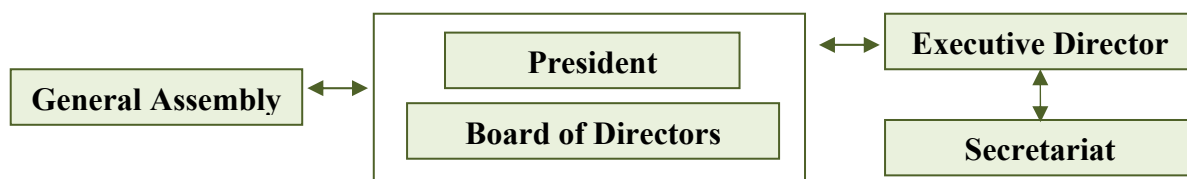


Figure 4.4: Decision-making hierarchy and information flow in MEGOSZ

MEGOSZ is financed from membership fees and external sources. Membership fees are differentiated according to the member's organizational form and the size of the forest area owned, with classes for 0 to 49 ha, 50 to 500 ha, and 501 ha and above. There are special fees for registered forestry professionals and forest integrators. External sources of funding include dissemination projects funded by the European Rural Development Fund, national funding sources for promoting civil society activity, research projects in cooperation with the University of West Hungary, and sponsorships, usually from large companies trading in forest machinery and accessories.

² The members of the Board of Directors are elected by the General Assembly. Some members of the Board of Directors are also directors of regional offices.

³ www.megosz.org/

Institutional development: Soon after its establishment, MEGOSZ was reorganized in response to development of the private forestry sector, which needed more flexible and efficient management. MEGOSZ focused on gathering the most active forest enterprises as driving forces in development, and soon these enterprises had become the backbone of the organization. In 2001, membership in MEGOSZ became a prerequisite for operating as a forest integrator, which boosted membership.

Each forest integrator⁴ provides consulting services for several thousand hectares of forest area; integrators have very strong interests in development of the private forestry sector and in rural development processes in general.

To get physically closer to its existing and potential members, MEGOSZ established a network of seven regional offices offering information on forest management and legal regulations, and providing advice in addressing specific problems.

During this time, MEGOSZ sought to increase the efficiency of its operations. To reduce costs, it stopped publishing its magazine, *Erdőgazda*, and started publishing its news in the NGO magazine *Erdészeti lapok*. Internal communications improved greatly when an e-mail system and Web site were developed. However, many of MEGOSZ's members do not yet use these electronic information tools.

Participation in policy and advocacy: The primary focus of MEGOSZ is on representing members' interests in forestry legislation and forest-related subsidy schemes.

MEGOSZ's president represents the organization in public fora and has a great impact on the effectiveness of its advocacy efforts through networking in the political arena.

The Board of Directors has an important role in formulating MEGOSZ's standpoints in political processes. Each director assumes responsibility for specific areas of forestry, which are supported by projects and task forces.

The Secretariat employs people with various professional backgrounds for different roles, such as engineers to manage projects and lawyers to provide advice in legislation processes.

MEGOSZ is seeking to recruit more members to increase its political power. A road-show is touring the country, making four or five public consultations a year in various regions.

Political processes in which MEGOSZ has participated include elaboration of the National Forestry Programme, whose private forestry sub-programme is based largely on contributions from MEGOSZ. Although the National Forestry Programme has had very little effect on the forest management or economic conditions of private forest owners, involvement in its formulation has boosted MEGOSZ's reputation.

MEGOSZ is represented at all major forest-related occasions, and its annual assembly also helps raise its profile. Currently it is seeking to become:

- a member of the National Council of Forest, a consultation body established under the Forestry Law;
- a member of the Forest-Based Industry Technology Platform in Hungary;
- the chair of the Forestry Sub-Council in the Monitoring Council of the New Hungary Rural Development Programme.

MEGOSZ is a member of CEPF and takes active part in its operations, including by hosting CEPF's General Assembly in 2004. However, the increasing CEPF membership fee is a considerable burden on MEGOSZ's decreasing budget.

Forest owners' economic development: MEGOSZ business services for its members are limited to circulating advertisements, job opportunities and trade offers. However, its persistent lobbying for new

⁴ "In the beginning of the 2000s, 'Forestry Integrations' (FI) became the new form of cooperation in private forestry. A FI is a strategic alliance between the core enterprise called the 'integrator' and the partner enterprises. There was a subsidy scheme especially targeted to the operation of the FIs, and they developed very fast, and showed good results also in decreasing unmanaged forest area in their region of operation" (FAO, 2012: 10)

subsidies from the national budget and better utilization of EU funds has helped improve the financial situation of all private forest owners.

MEGOSZ is one of the most important sources of information and news regarding private forestry, such as legislation, political processes and changes in subsidy systems. It also organizes training for private forest owners (Figure 4.5) and runs a consultancy service, which includes assistance in writing applications for subsidies.



Figure 4.5: Meetings and events organized by MEGOSZ
(source: Lajos Puskas)

Results and impacts

Theoretically, MEGOSZ represents the interests of only its members, but its activities have a positive effect on the whole private forestry sector.

Through active participation in various policy processes and the development of subsidy schemes, MEGOSZ has been able to influence subsidy programmes for private forest owners. As a result, new programmes for private forestry foster employment through public works. The New Hungary Rural Development Plan includes several forest-related sub-programmes, although only a few have yet been launched. MEGOSZ was the most active entity in promoting these subsidy programmes, and continuously represents the interests of its members.

MEGOSZ cooperates closely with key decision-makers, helping to improve its position as an actor in the setting of Hungarian forest policy. Decision-makers have changed frequently over the years, but MEGOSZ has been able to establish good relationships with many of them, as demonstrated by the participation of ministers, members of parliament, secretaries of state and other high-ranking officials in MEGOSZ assemblies. The organization also takes part in legislation processes, and managed to ensure the incorporation of clauses favourable to private forest owners in the new Forestry Law passed in 2009.

MEGOSZ is very successful in building alliances with its partner organizations. Rather than seeing MEGOSZ as a rival, the most important NGOs involved in forestry recognize its competencies and, although they have not abandoned private forestry issues completely, accept it as a leader in this field. For example, in 2000, the Hungarian Federation of Woodworking Industries signed an agreement agreeing to resign its CEPF membership in favour of MEGOSZ and acknowledging the organization's accomplishments.

Key to success: why does it work?

MEGOSZ realized the importance of *uniting the largest private forest enterprises*. These enterprises have strong interests in being represented, so need an organization such as MEGOSZ, which in turn benefits from the *enterprises' willingness to finance its operations*. This sometimes leads to MEGOSZ being accused of representing only large forest owners, although it works for all of its members and its achievements are beneficial for private forestry as a whole.

It is very difficult to build a powerful organization based on small-scale forest owners, as these owners are unable to *finance the initial stages* of developing an organization. This is why MEGOSZ started with large enterprises and continues to encourage more of the top forest enterprises that benefit indirectly from its activities to join the organization, thereby helping to stabilize its budget with their membership fees.

However, MEGOSZ also takes care of small-scale forest owners, and is recruiting new members from this group. MEGOSZ *represents small- and large-scale members' interests* and there are no serious conflicts between the two; it seeks to represent all forest owners, so needs to attract a large number of members.

Clear objectives for both interest representation and organizational development, and *efficient operation* are additional crucial components of MEGOSZ's success. The *Board of Directors' involvement in day-to-day operations* increased MEGOSZ's capacity considerably at almost no additional cost. Cost-efficient *communications*, such as the e-mailing list, Web site and its partner NGO's magazine, have helped to rationalize its operational budget.

Management has been very successful in *combining external sources with MEGOSZ's objectives*. MEGOSZ's assemblies and road-shows are often combined with events, projects, training sessions and dissemination efforts co-financed by other organizations. This is a result of MEGOSZ's outstanding *ability to find common interests and build cooperation with its partners*.

In summary, *MEGOSZ's success is based on its capability, visibility, credibility and good political connections* (Figure 4.6).

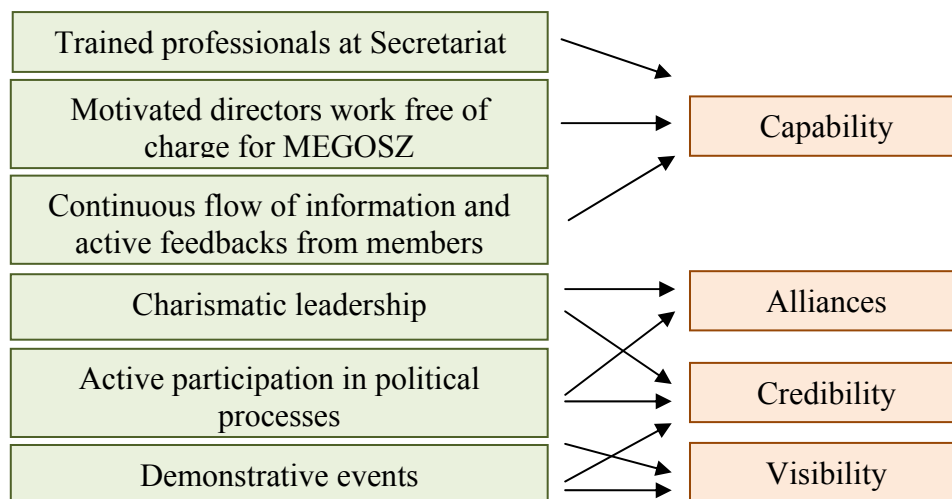


Figure 4.6: Key factors in MEGOSZ's success

Conclusions: main lessons and future outlook

MEGOSZ is considered the most important representative of private forest owners' interests in Hungary.

One of the key factors in its success is that it was the first private forest interest organization at the national level. Other organizations have few opportunities to gain support because the most important private forest enterprises (most of them are former forest integrators) are already members of MEGOSZ. However, being the most important FOA is not enough to ensure full recognition in the political arena, and MEGOSZ is not comparable to other forestry sector NGOs in terms of lobbying power, public activity in the forestry sector, and general prestige.

Although private forestry, including the concept of private ownership, was very unpopular in the early 1990s, especially among forestry professionals, MEGOSZ's activities and success have contributed to a gradual change of this general opinion. MEGOSZ's achievements include effective lobbying, strong alliances with other NGOs, and credible standpoints in political processes. Another factor in its success is the strong examples set by charismatic members, including the president and the Board of Directors, whose impressive skills and capabilities are demonstrated in their own successful private forest enterprises.

MEGOSZ is seeking new opportunities for improving its services for members. One option is participation in PEFC forest certification, which will probably be available within a few years. However, in spite of its successes, MEGOSZ faces financial challenges. Membership fees are not sufficient to maintain its operations, and additional sources are available only occasionally. These conditions make it difficult for MEGOSZ to maintain stable operations with adequate infrastructure and personnel.

Slovakia: Association of Municipal Forests (ZOL)

Background

Slovakia's 2 009 000 ha of forests have a very complicated ownership structure resulting from historical and political factors. Currently, 47.6 percent of all forest land is State property, managed by State enterprises. The non-State sector includes not only private, municipal, church and cooperative forests, but also a specific historical form of joint forest ownership – *urbariat*. Several associations of non-State forestry owners operate in Slovakia from the country to the local levels, but a substantial group of non-State forest owners – managing 264 000 ha, or 33 percent, of private forests – do not belong to any association.

Following the political changes of 1990, there were no regulations for the non-State forestry sector. New forest owners with no experience of administering and managing private property joined together to form associations that could advocate for their interests in the formation of suitable economic, social, organizational and legislative conditions. The number of non-State forest owners increased when forests were returned to their previous owners during the restitution process.

The restitution process created a new situation for former forest owners and their heirs, whose users' rights had been interrupted during the socialist regime and who therefore had no knowledge of forestry. For these "new" (restored) forest owners, interest or stakeholder organizations are a way of protecting and representing their common interests in the policy-making process.

Many FOAs were established to address common problems with the restitution of forest land. The first FOA for non-State forest owners – the Association of Private, Associated and Communal Forests – was set up soon after adoption of the Law on Restitution in 1991.

With very few exceptions, non-State forest owners started to operate without financial support, mechanization or technical support, and without administration and technical equipment for forest production. They therefore had very poor access to the timber market.

Municipalities also faced challenges in developing their own institutions for managing their returned forests, although their problems were different from those of small private owners. Municipal forests were included in the first FOA founded in 1991; in 1994, it was decided to establish an independent FOA for them – ZOL.

Municipal forests in Slovakia are usually managed by subsidized or limited companies founded by the municipality. Many of these companies also maintain parks and other green areas within their municipalities. In the 1990s, municipal forests were a strong group of enterprises led mainly by forest professionals with experience of State enterprises. The advantage of this arrangement was that these professionals had the necessary skills and competences for forest management.

Institutional arrangements

Organizational structure: ZOL was established on 10 November 1994 as an independent FOA for the owners or managers of municipal forests. Its main aim is to protect the interests of its members. The original membership was made up of 38 organizations of municipal estates, and a long and complicated process was needed to make ZOL stronger and more inclusive.

ZOL was founded as a civic organization and does not own property itself. Its two most active members, Kremnica and Zvolen municipalities, supported its establishment by providing materials and office space.

ZOL's main mission was to advocate for the justified demands of municipalities that own forests. Later, activities aimed to influence State-level decision-making regarding legislation for forestry, nature protection and related policies. ZOL is now an association of legal entities, and is open to all the non-State forestry sector. At the beginning it was based on strong individual actors involved in the restitution process for municipal forests and most of its work is still done voluntarily. Only the Secretary and Executive Director are paid posts.

The budget of ZOL is derived from membership fees, donations and subsidies. Membership fees are decided by the General Assembly and are based on the area of forest owned: fees are €0.10/ha/year for protected forests, and €0.22/ha/year for commercial forests. Annual membership fees are due by 30 June of the same year. The maximum annual fee is €1 659.70 per member. Financial support depends on the decisions made by individual members of municipal councils (parliaments). Revenues are used mainly for education, field trips and other activities for members.

Changes in membership can result from sales of forest property or changes in the position of heirs. This kind of FOA depends on local policy. Five of ZOL's 61 members are women.

Institutional development: ZOL's formal arrangement is typical for an FOA. The governing bodies are the General Assembly, the Executive Committee and the Advisory Council (Figure 4.7). The ZOL Statute defines the responsibilities and duties of the different bodies, and each member has one vote in the General Assembly.

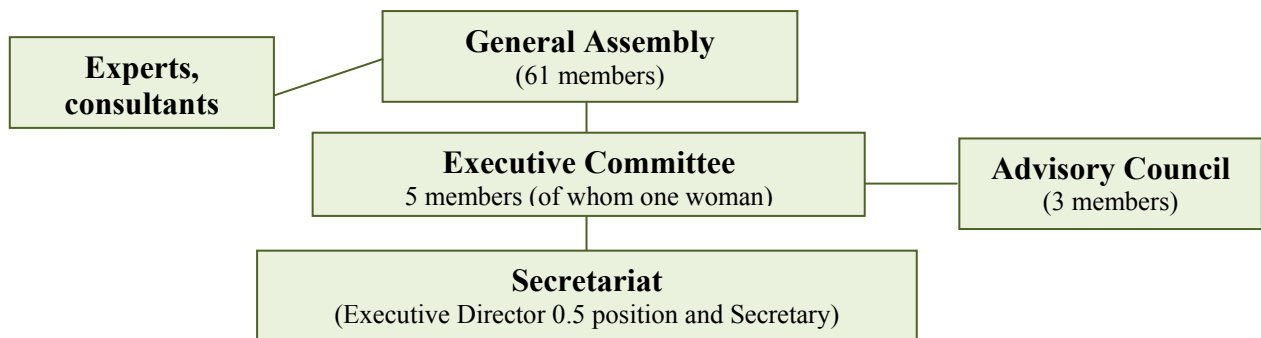


Figure 4.7: Organizational structure of ZOL

ZOL is one of the four most important national forest associations, which together make up the Council of Non-State Forest Owners' Associations (Figure 4.8). The council was established in 2006 as an informal umbrella organization for non-State forest owners, at the initiative of the Minister of Agriculture.

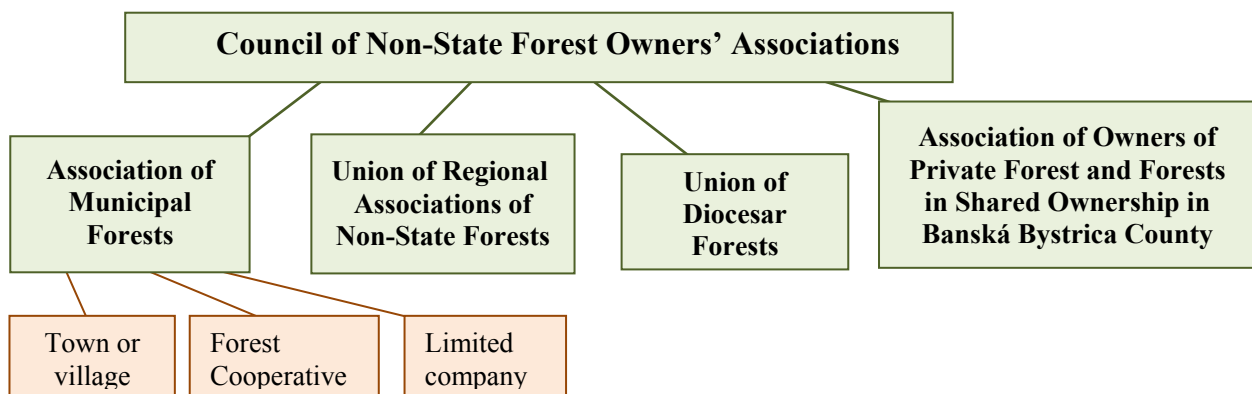


Figure 4.8: Connection to the umbrella organization

ZOL is not a direct member of any international organization, but has contact with CEPF through the council.

Participation in policy and advocacy: ZOL supports the discussion, formulation and enforcement of its members' interests, and cooperates with other forestry institutions and government bodies. It has

participated in drafting of the Forest Strategy, the Utilization of Natural Resources, the National Forest Programme and other documents.

According to its Statute, ZOL's mission is to participate in the formulation and implementation of forestry policy. It defends the property rights of non-State forest owners in dealings with the Ministry of Agriculture and Rural Development and the Ministry of Environment. All matters are discussed with the relevant authorities during interdepartmental consultations procedures, which are formally stipulated in Slovakia's national legislation and require the involvement of the Ministry of Finance, the Ministry of Labour, the Ministry of Economy and the Ministry of Environment. In addition, for economic and social matters concerning authorities and institutions, representatives of these authorities and institutions and the general public have to be involved in discussions prior to the matter's submission to the government. ZOL's Executive Committee nominates representatives whose participation gives ZOL a voice in the policy-making process. At least one representative participates in all the main events organized for political decision-making in the forestry sector, such as discussion fora and advisory boards. A ZOL representative is a permanent member of the Monitoring Committee of the Rural Development Programme for 2007–2013. Through this mechanism, ZOL has a direct influence on guiding the calls for project proposals, providing two-way communication with its members, who are the first to be informed of developments and changes.

One of ZOL's most important tasks is to support specific interests of its members in relation to the self-governing authorities, for which it organizes a consultancy service.

Forest owners' economic development: Increased market competitiveness is particularly important for municipalities, which needed to focus on business cooperation.

At the beginning of the restitution process, access to information and knowledge was concentrated in the State sector. Visits proved to be the best way for ZOL to provide research and education for its members. Good practices for forest owners were transferred from other European countries.

In 2002, 15 ZOL members with timber businesses started to collaborate and established the company ZOLKA Ltd, with capital of SKK 1 million (€33 000). The goal was to establish a trading company funded by municipal forest enterprises – to acquire a better position on the Slovak timber market, which is dominated by State forests, and to develop diversified forest services. Models for such cooperation were found in Finland and Sweden.



Figure 4.8: Slovakian forests

(source: Prof. Vladimír Čaboun, National Forest Centre)

Results and impacts

Organizational structure: The connection with the Council of Non-State Forest Owners' Associations, and through it with CEPF, is seen as a very useful way of sharing problems and finding solutions to make ZOL's day-to-day operations easier. It raises awareness and improves networking among non-State forest owners.

The council coordinates its members' joint activities and provides advisory services, education, field visits and other events, such as competitions in forestry skills or sports.

Institutional development: Thanks to the active engagement of ZOL's management team and leaders, ZOL now has 61 members, which include limited companies, municipalities and other legal persons, such as subsidized municipality organizations, which manage a total of 145 000 ha or 80 percent of Slovakia's municipal forests.

The mayors and members of municipal corporations are powerful actors in decision-making that affects ZOL's membership.

Participation in policy and advocacy: One very important result of ZOL's participation in policy-making is that municipal forest enterprises are eligible for all the forestry measures of the Rural Development Programme. These measures were designed to improve forest management and fulfil the National Forest Programme, and are supported by significant contributions from EU funds.

In addition, the valuable advice and expertise of ZOL experts has put members into a better position for negotiating with municipalities.

Forest owners' economic development: Through ZOLKA Ltd, municipal forests have been able to negotiate higher prices for pulpwood, of €0.5/m³. The company's net profit was about €35 000 during its first year of business. Positive results of this cooperation include better prices on the timber market and the ability to pay regular and timely dividends to the shareholding municipal forest enterprises.

However, economic and organizational changes within the company, imperfect and non-transparent market economy frames and suspicions of management for self-interest have limited the company's success. In 2007, ZOLKA Ltd was re-established as an independent organization with no direct connection to ZOL, whose members are still informed about the possibility of joining a common timber market through ZOLKA Ltd. In spite of these problems, ZOLKA Ltd is a successful example of economic activity from non-State forests; its annual turnover has been about €60 000 over the last few years.

The excellent ideas for supporting and developing common timber market activities, renting forest machinery, etc. that emerged in the early days of ZOLKA Ltd have had little success; it seems that a voluntary basis is not enough for this kind of activity.

Key to success: why does it work?

The better position of municipal forests compared with other non-State owners (especially private owners with shared ownership) helped to smooth the establishment of ZOL. Municipal forests already had a relatively *well-developed organizational structure*, and the restitution process had progressed sufficiently to allow them to manage their forests independently.

Strong bottom-up initiatives with clearly identified members and interests influenced ZOL's early successes. At the beginning, *indirect financial support* (office space and human resources) was provided by the two most active members, Kremnica and Zvolen municipalities. Later, the engagement of *charismatic leaders and a reliable steering team* was the most important factor for development of ZOL.

One of the signs of ZOL's success is the *increased number of members*. This enlargement is closely related to ZOL's dedicated and reliable management, while *stable principles and clear policy* attract new members. Recently, the country's largest municipal forest, Kosice City, at nearly 20 000 ha, joined ZOL. However, three other members left the association because of changes in leadership of their local parliament. ZOL has to take periodic political changes at the local level into account.

ZOL *cooperates with other FOAs* and ensures consultation and advocacy assistance for their members.

The Council of Non-State Forest Owners' Associations undertakes mainly policy lobbying activities. Issues identified by ZOL are related to the land taxes, payments and subsidies of the Rural Development Policy, and conflicts between forestry and nature protection.

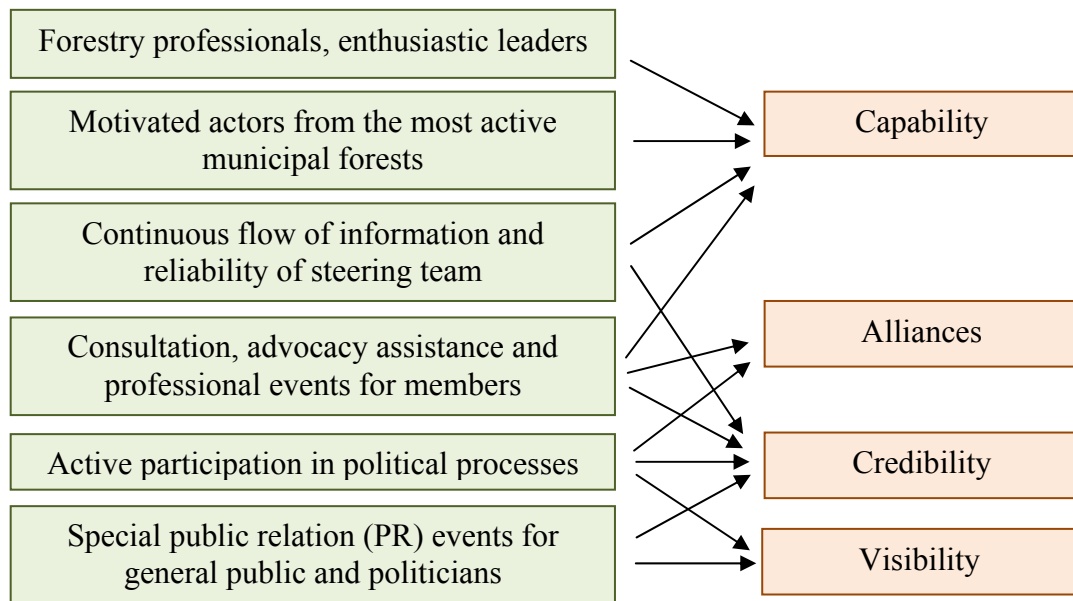


Figure 4.10: Key factors in ZOL's success

Active participation by representatives of ZOL at professional events organized for the general public and politicians by forestry organizations – such as annual “Forestry Days” and “Days of the Tree” – are an important factor in enhancing the visibility and credibility of the association. These events create a platform for visualizing municipal forests and their functions in society.

Slovakia's accession to the EU in 2004 opened up possibilities for applying for support from European funds, especially for rural development, which also represent important potential for the future development of ZOL's economic activities.

The participation of ZOL representatives in design of the Rural Development Programme for 2007–2013 was a major success, as this policy instrument is the main source of support to economic development of the forestry sector in Slovakia.

Conclusions: main lessons and future outlook

ZOL was created to represent its members' interests in the restitution process; later it developed additional aims in representing owners' interests in political fora. The association has a strong focus on political representation at the local and national levels. Cooperation in joint forest management is not one of its targets.

According to members, the benefits of membership include access to up-to-date information, which can improve the management of municipal forests. ZOL has had time to develop and expand the range of services it offers, and can be described as the most successful and most consolidated FOA in Slovakia.

Challenges for the future are connected to improving ZOL's power in political processes and maintaining its status among the representatives of municipalities. ZOL plans to continue developing activities for its members in:

- *education*, focusing on one-day training courses on current issues – such as new tax legislation or changes in the hunting law – organized in different regions of Slovakia, and field trips to other countries;
- *advisory services*, creating a system that involves experts who are members of ZOL, and developing an information system for communications between the Secretariat and members;
- *advocacy*, through continuing to comment on legislation and regulations, in cooperation with other associations of non-State forest owners and via representatives on committees and commissions.

Lithuania: FOC Aukštaitijos šilas

Background

Before the Second World War, 85 percent of Lithuania's forests were managed by the State; the remaining 15 percent were privately owned. After the war, when Lithuania became fully integrated into the economy of the former Soviet Union, its forests were generally in poor condition. In 1948, agricultural cooperatives were established and private forest ownership was abolished. Until 1990, Lithuania's forests were almost exclusively managed by State forest enterprises and the collective farming system.

Today, 38.6 percent of the forest area has been restituted to private forest owners, with another 257 000 ha reserved for restitution (Lithuanian Ministry of Environment and State Forest Service, 2011: 184). Major challenges facing the forest restitution process include complex bureaucratic procedures; the limited forest areas subject to restitution – up to 10 ha in the first phase, 25 ha in the second, and 150 ha in the third; and the lack of restitution of protected and other forests of national importance.

There are now approximately 803 275 ha of private forests owned by 245 000 individuals whose average holding is 3.3 ha. Information about the ratio of male and female owners is not available (Lithuanian Ministry of Environment and State Forest Service, 2011: 184). Private forest owners have little knowledge of forest management, and many new owners do not live near their forests, but in distant cities or even abroad (Mizaraitė, 2000).

The Forest Law of 1994 introduced the basic principles of sustainable forest management and biodiversity conservation. Since Lithuania's accession to the EU, its forest policy has been influenced by EU directives, particularly regarding protected areas. A new Forest Policy and implementation strategy were approved in 2002. One of the strategic objectives of this policy is to create the legal and economic conditions for promoting the merging of small forest holdings through association and cooperation among forest owners.

All forests, irrespective of their size and purpose, must be well managed and cared for. The owners of large forest holdings can afford to hire forest managers or rangers to manage and protect their forest property, but small and medium-sized forest owners cannot (Hägglund, 2008). One way of solving this problem is to create cooperation. Forest owners who are members of a cooperative can still decide how to manage their forest property and to what extent they want to use the cooperative's services. The Forest Owners' Association of Lithuania (FOAL) initiated establishment of the first FOCs for private forest owners in Lithuania.

According to the Law on Cooperatives of the Republic of Lithuania: “A cooperative society (cooperative) is an economic entity established on the basis of law on a voluntary basis by a group of natural and (or) legal persons for the purpose of satisfying business, economic and social needs of its members and functioning on their initiative and at their risk” (Republic of Lithuania, 1993). Cooperatives should have five or more members. The first cooperative for private forest owners was founded in 1998, and several others were created soon after. The main reason for their establishment was to address rapid increases in the industrial demand for roundwood and in forest owners' demand for forestry services. There are now 21 private forest owners' cooperatives officially registered on Lithuania's Register of Legal Entities.⁵

Over the last decade, cooperation among private forest owners has increased. FOAL has developed a network of FOCs and other enterprises that provide forestry-related services, including trade in roundwood. From 2001 to 2008, FOAL ran the *Infomedis* (“info tree”) market information system, a monthly bulletin supplying up-to-date market information on roundwood sales and prices in private forests, distributed via e-mail.

Today FOAL has six member FOCs for private forest owners – Aukštaitijos šilas, Miško žemė, Privati girininkija, Raseinių šilas, Saulės šilas and Tauragės šilas – and ten member forestry companies:

⁵ www.registrucentras.lt/

Aukštaitijos girios, Bangenės miškas, Cebeco Timber, Drūtas medis, Dzūkijos miškas, Egritmeda, Euromediena, Forestvila, Jūsų sklypas and Miško darbai.

Aukštaitijos šilas was established in 1998 and is located in Molėtai District, Utena County. It is a typical example of a Lithuanian FOC.

Institutional arrangements

Organizational structure: Aukštaitijos šilas has five members (physical persons), owning a total of 700 ha of forest land. The number of members has not changed since it was first established.

All commercial decisions are made by the Executive Director, who is a member of the FOC, but the Board has the right to cancel or change these decisions, if necessary. At the beginning, the FOC provided two services for private forest owners: preparation of individual forest management plans, and advisory services (Figure 4.11).

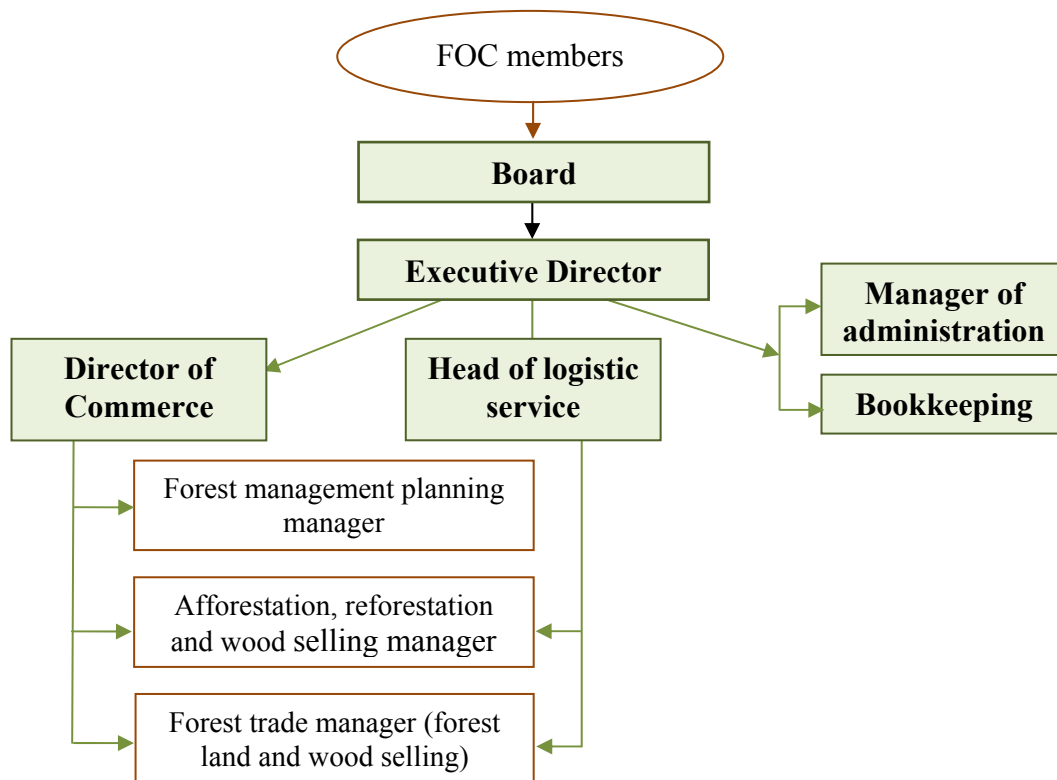


Figure 4.11: Organizational structure of FOC Aukštaitijos šilas

Today the cooperative provides a broad range of services for private forest owners, such as timber trade, long-term management of forest property, consultation and training related to forest management, agricultural land afforestation, improvement of recreational areas, and organization of commercial hunting. Six highly skilled professional foresters provide forest-related services for the FOC's members.

Aukštaitijos šilas has approximately 21 263 ha of private forests in Molėtai District owned by 9 981 individuals whose average holding is 2.13 ha. The presence of large numbers of private forest owners in the district provides excellent opportunities for the cooperative to develop its activities.

The main policy incentives available to small-scale forestry that influence management behaviour are support to forest protection against pests and diseases, forest fire prevention, and afforestation of abandoned agricultural land. The institutions responsible for the forestry sector in Lithuania provide no incentives or support to strengthen FOCs. A favourable legal base and tax policy would create more favourable conditions for private forest owners' cooperation and association.

Before Lithuania's accession to the EU in 2004, only companies registered in the country were entitled to purchase forest, but today all registered legal entities (including individuals) can do so.

Institutional development: Private forest owners can participate directly in FOAL's activities, but FOAL is not allowed to provide commercial services. It therefore created a network of FOCs and other enterprises to provide forestry-related services. Forest owners can participate in the network in different ways:

- as full members of a cooperative;
- by signing a long-term forest management agreement;
- to sell standing timber (or a whole forest) through the network;
- to obtain free consultation and training related to forest management;
- to purchase forest services, etc.

Participation in policy and advocacy: FOC Aukštaitijos šilas is a member of FOAL, through which it can influence and take part in forest policy formulation. The FOC's Executive Director is a member of the FOAL Board. Cooperative membership of FOAL enables the FOC to submit proposals to governing institutions responsible for the private forest sector.

Forest owners' economic development: The main objectives of FOC Aukštaitijos šilas are to: i) benefit its members through sustainable forest management activities; ii) increase management efficiency on private forest holdings; iii) defend private forest owners' economic interests; and iv) represent forest owners in dealings with business partners. Over the years, the FOC has developed its infrastructure and provision of services. The main services provided are:

- information, consultancies, teaching and education (free of charge) (Figure 4.12);
- timber trade;
- forest management plans;
- afforestation;
- forest cutting;
- improvement of recreational areas;
- marketing of forest production and evaluation of timber volume;
- sawn timber production;
- organization of hunting;
- agrotourism, etc.

By joining the cooperative, forest owners obtain access to professional help in managing their forests. Specialists working at the cooperative are well acquainted with the problems that forest owners' face and can suggest the best solutions to these problems. Private forest owners who are not members can sign contracts with FOC Aukštaitijos šilas for a year or more, to obtain forest management services.



Figure 4.12: Teaching of private forest owners organized by FOC Aukštaitijos šilas (source: Diana Mizaraite)

Results and impacts

Opportunities for private forest owners to use EU structural funds for forest management and afforestation of agricultural land have created a niche for FOC Aukštaitijos šilas in providing specific services such as preparation of projects and other documentation for obtaining EU support, and afforestation of agricultural land.

The FOC organizes educational courses and training, and publishes information about forests and forest management.

Every year, FOC Aukštaitijos šilas produces about 20 000 m³ of roundwood,⁶ prepares individual forest management plans for a total of more than 400 ha, and afforests about 200 ha of abandoned agricultural land.

Key to success: why does it work?

Several factors in the FOC's success can be identified:

- *free advice for and consultation of private forest owners*, which creates trust;
- *a broad range of forest-related services with flexible service provision*, which enables private forest owners to participate in the cooperation network in different ways;
- *the authority of the professionals it employs* to help private forest owners solve their forest management problems;
- *training and special educational courses* for private forest owners;
- *the presence of a large number of owners*, which creates *a market for the FOC's forest services*.

The restitution of private forests to their former owners resulted in the emergence of problems that require special effort, skills and resources (Lazdinis, Pivoriūnas and Lazdinis, 2005). The creation of a network of local cooperatives and other enterprises provides private forest owners with a source of the services they need. Today, there are 15 private forests owners' cooperatives operating in different districts of Lithuania, helping their members to solve forest management problems.

Conclusions: main lessons and future outlook

Cooperation in private forestry is in its early stages in Lithuania, but progress can already be observed. One of the strongest factors in this progress is FOAL's creation of a network of cooperatives and other enterprises. In the future, higher production costs and strong competition in the markets for wood products will encourage private forest owners to join and establish more FOCs with large numbers of members and a strong position on wood products markets. This case study shows that private forest owners in Lithuania can participate in cooperatives in various ways, from being full members to signing agreements to obtain access to a service for a specific period.

The experience of FOC Aukštaitijos šilas demonstrates that establishing cooperation among private forest owners is a long process. Although it was established in 1998, the FOC still has only five members, which highlights two potential problems for private forest owners' cooperatives in Lithuania:

- 1) Cooperative managers and members are not interested in increasing the number of members.
- 2) Private forest owners are not interested in becoming cooperative members.

However, the cooperative has developed an excellent system for providing services to private forest owners.

⁶ Data on the income/profit from these sales were not available.

Romania: FOA Marsani

Background

In Romania, the State and the private sector now have almost equal shares in forest ownership, at 52 and 48 percent respectively.

The forest restitution process started in 1991, when Parliament issued the first Law on Land Restitution. Unfortunately, this first wave of forest restitution was not successful, for at least two reasons: i) only 1 ha per claim was restituted, which merely opened up the problem of social justice without resolving it; and ii) with no legal framework to prevent illegal cutting, most of the forest areas restituted by the law (about 65 000 ha) were doomed to clear-cutting. The urgent need to organize private forest owners was recognized.

In 2006, the Romanian Government and the World Bank initiated a pilot project with the main aim of setting up and supporting FOAs. Among the new associations that were created was FOA Marsani, established in 2007. The driving forces for creating this FOA were the unfavourable environmental conditions in the region, particularly problems with wind erosion, which caused build-ups of sand. It was decided to plant new trees in areas that had previously been forested until the tree harvesting of the 1990s (Figure 4.13). It was seen that the organization of private forest owners was crucial for implementation of this demanding activity.

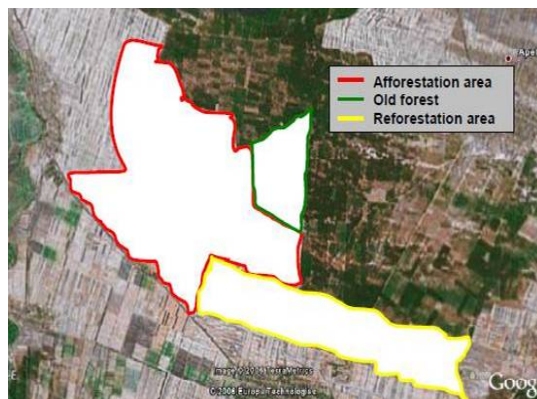


Figure 4.13: Forest land in Marsani pilot area

The organization of FOA Marsani was very successful, because people were very concerned about the unfavourable environmental conditions and set up the FOA in a very short time. Shortly after its establishment, FOA Marsani had created the largest private forest district on the Romanian plains. At its outset, the FOA had 2 500 members, which have since increased to 4 520.

Marsani community is located in southwestern Romania. The area is situated on sandy soils that had been stabilized against wind erosion using locust tree plantations (Figure 4.14), forest belts and intensive agriculture (including watering systems) during the communist period.

Although the region is underdeveloped, the new private forest district is operating satisfactorily. External support for afforestation has been very important in helping to organize people.



Figure 4.14: Typical locust tree forest in Marsani
(source: Marian Dragoi)

Institutional arrangements

Organizational structure: Although FOA Marsani is successful, its evolution has not been easy. Initially, forest owners were reluctant to register as they were afraid that they would need to pay more taxes and assume more legal obligations. For example, although everybody complained about illegal logging, nobody documented its effects, so it was difficult for forestry officials to come up with a solution to this problem. Another cause of landowners' reluctance to set up an FOA was that the lack of clear demarcations or landmarks between ownerships led many of them to believe that the restitution process was the first step towards the establishment of new cooperatives, which would eventually lead to a new form of nationalization.

The official establishment of FOA Marsani was the result of a favourable combination of opportunities and threats. The crucial incentive was people's growing concern about sand storms and production losses caused by land erosion. Another important incentive was good cooperation with the local administration, which provided the FOA with logistics assistance: the mayor's office sent its employees door-to-door to distribute application forms for joining the FOA and has hosted the FOA office since the beginning.

FOA Marsani's internal organization is shown in Figure 4.15, where the forest district is subordinated to the FOA Steering Committee.

The General Assembly meets every year at the end of February, when the Steering Committee, the Financial Department and the Chief of the Forest District present their annual reports.

According to the FOA's Statute, the Steering Committee is convened every month to make operative decisions and approve the payroll. One of the most important issues to be discussed is the size of the administration fee to be collected from forest owners, as this fee is the main source of money for paying forest rangers' salaries.

Currently, the low fees are one of the most important incentives for maintaining membership in the FOA, which has its own forest district; the most important incentive for creating the FOA was the opportunity to create new plantations using the Land Reclamation Fund, which was set up in 1992 by an amendment to the Land Restitution Law.

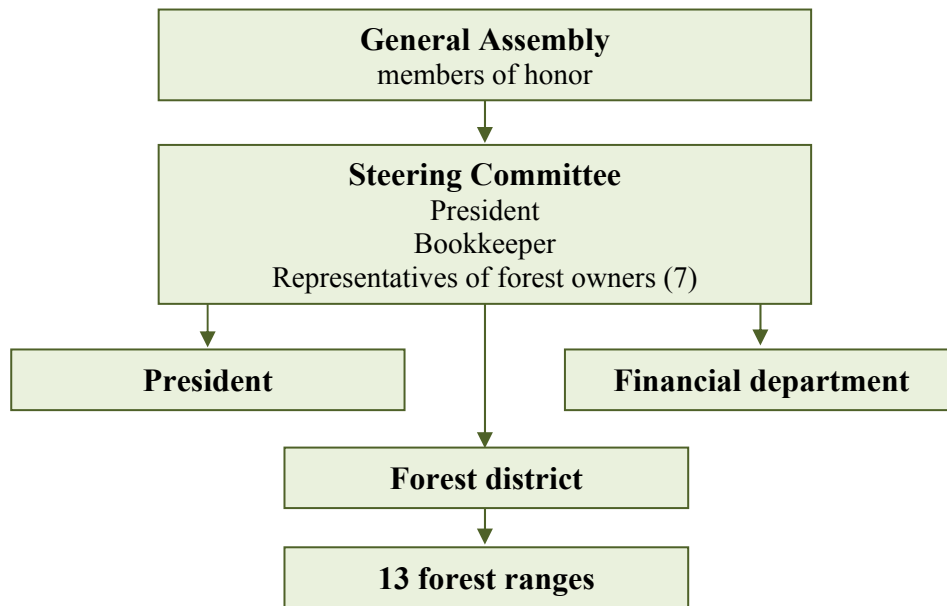


Figure 4.15: Internal organization of FOA Marsani

Institutional development: In 2010, FOA Marsani established its own private forest district. Although this district can be characterized as the least efficient private district in the country, it is the most effective in terms of social responsibility and capacity building. The forest owners have a real sense of their environmental liabilities, while the forest rangers employed by the community have a responsible attitude towards providing forest services.

FOA Marsani is represented in the new National Federation of Forest and Pasture Landowners *Silva nostra*. It also acts as an umbrella organization for the neighbouring FOAs Celaru, Urzica, Daneti and Ostroveni.

The forest district established and owned by the association is called *Renașterea Pădurii Marsani* (Marsani Forest Revival) and manages a total area of 6 007.66 ha, spread over the surrounding commune and counties. The personnel of the forest district consists of 13 forest rangers and two engineers, who provide forest owners with services in monitoring illegal forest activities (e.g., illegal logging), timber harvesting, pest control, thinning and reforestation. The rangers' salary is equal to the minimum wage, which is less than €200 a month.

Participation in policy and advocacy: In 2004, the new Law on Land Restitution gave private stakeholders a strong influence on Romanian forest policy. Unfortunately, however, the forest owners did not manage to organize themselves into a national association in time to benefit from this opportunity. At the end of 2011, a National Confederation of Forest Owners was created; FOA Marsani's President is on its Committee of Representatives.

Law 247/2005 referring to forest restoration, and Law 38/2006 referring to forest administration require that private forest owners manage their forests on the basis of contracts signed with a State forest district, unless the forest is included in an association that has its own private forest district. Forest authorities enforce this provision strictly, and FOA Marsani seeks to make forest management as inexpensive as possible.

Although FOA Marsani is not very visible at the national level, it is the most important private forest stakeholder at the county and plain region levels and functions as a sort of benchmark in use of the Land Reclamation Fund.

Members of the National Federation of Forest Owners' Associations have access to professional legal assistance and representation in any legal cases involving land restitution or other aspects of forest management and ownership.

Forest owners' economic development: The most important incentive for setting up the private district was the high administration fee paid by all forest owners to Sadova State forest district, which reached about €23 ha/year plus value-added tax (VAT – initially 19 percent, but now 24 percent).

The FOA members sought to reduce this administration fee, and took immediate advantage of the available logistics and other support for setting up their own forest district. The administration fee now paid by forest owners is a significantly lower €15, and VAT is no longer paid because the forest services are provided internally on a contractual basis.

One of the FOA's plans for the future is to promote beekeeping, as its members own a very large locust tree forest. In the meantime, the FOA land is a pilot area for various research projects on afforestation in extreme conditions and for forest extension, including by creating new seedbeds for a local breed of locust tree, registered as *Robinia pseudaccacia*, var. *Oltenia*.

Results and impacts

The direct support provided by FOA Marsani's professional foresters has been very helpful and demonstrates how a well-organized community can take advantage of financial aid provided by the Land Reclamation Fund.

Another beneficial outcome is the private forest district itself, through which the administration fee paid by each forest owner has been reduced. By creating its own forest district, the FOA weakened the monopolistic position of the National Forest Administration in the plain region, which represents a real success in promoting competitiveness in Romanian forestry.

The visibility of private forestry has also been improved by this success story, which demonstrates that the economic advantages of joining together can include lower costs as well as the higher revenues that are generated in most other cases, where the growing stocks and allowable cuts are considerably larger.

The FOA provides a good example of social cohesion in the plain regions, where the older generation is still resentful of the production cooperatives from the communist period. The difference between FOA Marsani and similar attempts by forest owners in the plain region is the afforestation project, which revitalized forest owners' senses of both ownership and social responsibility.

Key to success: why does it work?

FOA Marsani is a good example of people's capacity to overcome minor personal divergences of opinion about the role of an association. *Good cooperation with forest administration structures*, the State forest administration and its own private forest district has enabled the FOA to reduce the costs of managing the forest. The most important factor is the staff's *capacity to negotiate* within and outside the organization.

The second key to success is *the technical support provided by a good specialist* in forestry, who dared to put the owners' interests before those of his own professional body. His good *communication skills*, have enabled Mr Dan Popescu to convince landowners that – with a little help – they can revitalize the area's ecology, although this issue was not explicitly discussed.

Another factor is the *patience* of the FOA president Mr Alexandru Dunoiu in convincing people that their efforts would soon be gratified and that the grey landscape would turn to green through their endeavours.

Although political support is still lacking, joining the national umbrella organization has encouraged local people to join the FOA, and they are proud of their growing visibility at the national level. The two key actors who played important roles in setting up the FOA and the private forest district (Mr Axandru Dunoiu and Mr Dan Popescu) cooperated with major stakeholders at the regional and national levels to establish the afforestation work that led may local landowners to join the organization.

FOA Marsani also provides a good example of using the Land Reclamation Fund, which is used mainly by the National Forest Administration in the rest of the country. The FOA's afforestation efforts demonstrate that large projects can be implemented by private landowners' associations located in very poor regions, when the necessary professional skills, expertise and determination are available.

Conclusions: main lessons and future outlook

The main challenge facing any new FOA is the shortage of basic forest management concepts, such as sustained yield or the break-even basal area beyond which it is not recommended to prune a stand of trees.

Raising the awareness of forest owners was essential in establishing FOA Marsani, as was good cooperation with local authorities. Without these factors, success could not have been guaranteed, regardless of how abundant the wood resources are.

At the outset, the provision of information on legislation, and a time frame and checklist of duties for the committee of the future FOA were very valuable in facilitating the organization's establishment. The illegalities reported during the restitution process were a hurdle to creation of the FOA, as they seriously distorted any public debate where local authorities were represented.

It was clear that the FOA needed external assistance in overcoming the many bureaucratic barriers and the authorities' lack of willingness to support such an endeavour. In this context, one important issue was good cooperation with the local mayor, who did not perceive the FOA President as a potential opponent. From the beginning, the FOA committee issued the clear message that "the association shall not be supported by any means by political parties; it is only a question of people's willingness to join to gain some commonly shared advantages, and our task is to identify those advantages". Instead of entering political debates, the FOA seeks different types of cooperation with relevant local stakeholders, such as beekeepers and farmers.

Transparency in collecting and spending the membership fees, no matter how small they are, boosted members' confidence in the FOA staff. The practice of collecting money for the next step forward, and explaining how this money is spent, provides an important lesson in building social cohesion.

5. Analysis of success factors and good practices in the selected forest owners' organizations

The countries of the case studies have similar histories regarding development of the forest sector and of private forest owners' organizations. After the restitution process, which resulted in a large share of fragmented properties and unknowledgeable new private forest owners who were often reluctant to adopt joint ownership or management, all the countries recognized the need to create FOOs. In spite of the severe challenges, both policy-makers and private forest owners saw FOOs as an important means of representing landowners' interests in the policy-making process and improving forest management practices.

Table 5.1 outlines the main characteristics of the five FOOs selected for this report. All of these organizations were established after the institutional changes that followed communism, particularly the restitution process. Most of them were established to help overcome challenges that emerged as a result of restitution, and also to improve the management of the newly established private forest properties. Private forest owners recognized the need to associate, for both political representation and business cooperation.

Comparison of the FOOs shows considerable variability among them: FOAs are typically active at the national level, and FOCs at the local level. Associations generally represent all current ownership types, although SVOL and ZOL were initially founded by municipal owners, and some are organized into regional sub-units (ZOL). Cooperatives also vary; while the five members of FOC Aukštaitijos šilas manage 700 ha, FOA Marsani's 4 000 members have only 6 000 ha.

The FOOs were generally initiated from the bottom up, with only limited support from the State or local authorities, particularly at the beginning. In all countries, FOOs benefited from a change in forest policy, which started to allow the participation of interest groups, while governments started to promote the establishment of FOOs. Many FOOs therefore originally had the main goal of representing their members' interests in the policy-making process. In some cases, this representation of interests had positive effects for all private owners, not just FOO members. Consistent with Olson's theory (Olson, 1971/1965), these interest groups then developed additional services, such as the provision of information or joint timber trade schemes, which are typically available only to members and are incentives to joining or maintaining membership in an FOO.

As well as representing interests, some FOOs provide specific services to their members (e.g., in Lithuania) or solve specific environmental problems (e.g., in Romania), which are more local in character. In general, management-related services such as joint timber trade, management planning or advice on forest management are more strongly developed in local/regional cooperatives than in national ones.

Table 5.1: Main characteristics of selected FOOs

	Association of Municipal and Private Forest Owners (SVOL) Czech Republic	Association of Hungarian Private Forest Owners (MEGOSZ) Hungary	Association of Municipal Forests (ZOL) Slovakia	Forest Owners' Cooperative (Aukštaitijos šilas) Lithuania	Forest Owners' Association (Marsani) Romania
Level	National	National	National	Local	Local
Reasons for establishment	Supporting restitution/ privatization	Supporting restitution/ privatization	Supporting restitution/ privatization	Cooperating in forest management	Cooperating in forest management; addressing environmental problems
Year of establishment	1992	1994	1994	1998	2007

Number of members (at the beginning/ currently)	93 ¹ /1 010	27/1 400	38/61	5/5	2 500/4 520
Forest area	360 000 ha	115 000 ha	145 000 ha	700 ha	6 007 ha
Regional offices	9	7	None	None	None
Financing	Membership fee	Membership fee; other sources (projects/national sources for civil society)	Membership fee, donations, subsidies	No data ²	Membership fee
Government involvement	None	None	City councils	None	Some
Primary services	Representation of members' interests	Representation of members' interests	Representation of members' interests	Providing services to members (preparation of management plans/advice)	Providing forest-related services to members (technical support/advice)
Additional services	- Education - Joint timber trade - Joint purchasing of inputs - Forest management planning, etc.	- Education	- Indirect (education/business cooperation) ³	- Education - Timber trade - Organization of hunting - Agrotourism activities, etc.	- Education - Forest management planning - Monitoring of illegal activities - Timber crews, etc.
International memberships	CEPF FECOF ELO	CEPF	Indirectly in CEPF ⁴	Indirectly in CEPF ⁵	-

¹At the beginning, membership was limited to communities and towns; later it was expanded to all non-State owners.

²Information not available.

³Members are informed about the possibility for voluntary cooperation with ZOLKA Ltd.

⁴Through the Council of Non-State Forest Owners' Associations.

⁵Through membership of FOAL.

Time is an important factor for the development of an FOO. It took considerable time for FOAs to become influential, visible and powerful in the forest policy arena, and for forest owners to accept FOCs as service organizations. The time was needed to develop capacities, knowledge, experience, networks and trust. The persistence and commitment of FOO members, and the organizations' clear objectives and efficient operations, are gradually recognized and attract new members – an observation that is in line with the success factors described by Hakelius (1996). In most cases, charismatic leaders also had a crucial role.

An increased number of members, more efficient and profitable management, better visibility in forestry circles, the application of good practices from other countries, and wider networks are among the important results of these FOOs (Table 5.2).

Table 5.2: Results and impacts of FOO activities

	Association of Municipal and Private Forest Owners (SVOL) Czech Republic	Association of Hungarian Private Forest Owners (MEGOSZ) Hungary	Association of Municipal Forests (ZOL) Slovakia	Forest Owners' Cooperative (Aukštaitijos šilas) Lithuania	Forest Owners' Association (Marsani) Romania
Policy influence	- Influence in policy-making - Influential position in the forestry sector	- Leader in the private forestry sector - Influence in policy-making	- Influence in policy-making - Improved position in negotiation processes	- - -	- Visible in the private forestry sector
Collaboration	- Improved collaboration among members, and with other private forest organizations	- Improved collaboration among members, with other private forest organizations and policy-makers	- Improved collaboration among members, and with other private forest organizations - Increased number of members	- Improved collaboration among members	- Improved collaboration among members
Provision of services	- Expansion of services provided - Organization/development of joint business mechanisms and activities	- Consulting services (applications for obtaining subsidies) - Organization of training for private forest owners?	- Organization/development of joint business mechanisms and activities	- Active participation in education and training of private forest owners - Provision of wide range of services to private forest owners - Improved results of forest management activities	Organization/development of joint activities
Wider impacts	- Improved standards in forest management	- Positive effects on other private forest owners (greater awareness)	- Positive effects on other private forest owners (greater awareness) - Better market prices for timber and wood products	- Positive effects on other private forest owners (greater awareness)	- Positive effects on other private forest owners (greater awareness) - Promotion of competitiveness in forestry sector

When comparing the results and impacts of the case examples and the factors behind their success, there are more similarities than differences, even though the FOOs differ in characteristics. Important factors that commonly influence the success of an FOO include:

- organizational strength and inclusiveness:
 - strong bottom-up initiatives;
 - clearly identified member base;
 - interest from private forest owners;
 - charismatic leaders (human capacity);
 - reliability and leadership of organizers (key members);
 - involvement of trained and professional experts;
 - external/technical support (Romania);
 - transparent financial management;
 - strengthening of the member base (Czech Republic);

- institutional development:
 - participation in forest policy-making;
 - clear and stable policy goals and principles over time;
 - establishment of regional organizations (Czech Republic);
- participation in policy and advocacy:
 - coordination and cooperation with other FOOs, NGOs, government and public administration;
 - participation in political processes (effective lobbying/strong alliances);
 - good communications (internal/external);
 - awareness raising of forest owners regarding cooperation;
- forest owners' economic development:
 - accession to EU – support from EU funds;
 - free advice and consulting services for private forest owners (Lithuania);
 - broad range of forest-related services;
 - flexible service provision (Lithuania);
 - organization of training/educational courses/events;
 - marketing activities;
 - business cooperation (Slovakia, Lithuania);
 - establishment of joint timber trade (Czech Republic, Romania, Lithuania).

The FOOs are presented as success cases, even though many are still struggling with limited participation of landowners, limited operational capacities and/or restricted financial resources. Although they face challenges in maintaining their status and developing their activities, the FOOs selected represent and demonstrate the effects of FOOs in their respective countries.

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