MINISTERIAL CONFERENCE ON THE PROTECTION OF FORESTS IN EUROPE

POLICIES FOSTERING INVESTMENT AND INNOVATIONS IN SUPPORT OF RURAL DEVELOPMENT

Taking into account forest owners perspective on enhancing economic viability through cooperation and innovation

PROCEEDINGS OF SEMINAR
27-29 March, 2006
Zvolen – Sielnica, Slovakia

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International Seminar on Policies Fostering Investments and Innovations in Support of Rural Development, held on 27-29 March, 2006 in Zvolen - Sielnica, Slovakia

Organized by:
MCPFE Liaison Unit Warsaw
European Forest Institute
EFI-INNOFORCE Project Centre, Austria
Ministry of Agriculture of the Slovak Republic
National Forest Centre, Slovakia
Slovenská lesnícka spoločnosť, Slovakia
Confederation of European Forest Owners
Union of Foresters of Southern Europe

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Foreword

The seminar on "Policies Fostering Investments and Innovations in Support of Rural Development – taking into account forest owners perspective on enhancing economic viability through cooperation and innovation" took place on the 27-29 March, 2006 in Zvolen – Sielnica (Slovakia). The seminar was conducted in the framework of implementation of the MCPFE Vienna Resolution V2 (Enhancing economic viability of SFM in Europe)

The Workshop was organized by the MCPFE Liaison Unit Warsaw; European Forest Institute (EFI); EFI-INNOFORCE Project Centre, Austria; Union of Foresters of Southern Europe (USSE); Confederation of European Forest Owners (CEPF); National Forest Centre, Slovakia; Ministry of Agriculture, Slovakia; and Slovenská lesnícka spoločnosť, Slovakia (the Union of the Slovak Scientific and Technological Societies - Slovak Forestry Society).

Target audience included policy makers in forest policy and rural development, forest policy scientists and economists, scientists working on issues related to investments, innovations and rural development, forest owners and managers, other interested experts

Participants had a chance to participate in plenary sessions with invited policy experts and leading scientists, working groups on specific issues to provide recommendations for further actions and research, excursion focusing on forested rural areas with high unemployment.

The aims of the seminar and the workshop were to

1. Review and discuss policy issues, experiences and options for promoting investment and innovations with a view to strengthen competitiveness and economic viability of the forest sector in the context of integrated rural development.
2. Provide the latest knowledge and scientific findings regarding policies fostering investments and innovations in the framework of sustainable rural development policies and strategies in support of MCPFE and the EU Lisbon Strategy.

Summary

Wrap-up Statement
Arne Ivar Sletnes

It is widely recognized that economic viability is a key pillar of sustainable forest management (SFM) and of crucial importance for maintaining forests and their multiple benefits for society, contributing to sustainable development and to human livelihood especially in rural areas.

In Vienna Resolution 2 "Enhancing economic viability of sustainable forest management in Europe", the Signatory States and the European Community committed themselves to:

- adjust policy and legal frameworks and instruments to support sound enabling conditions for sustainable forest management that encourage investment and economic activity in the forest sector;
- enhance the competitiveness of the forest sector by promoting innovation and entrepreneurship among all relevant stakeholders, notably for the efficient provision of new and improved wood and non-wood goods and services; and
- promote the incorporation of the maintenance and enhancement of the economic viability of sustainable forest management into rural development policies and strategies.

MCPFE consequently adopted a Work Programme element on "competitiveness & innovation". This international seminar and workshop is a major contribution to the implementation of the MCPFE Work Programme.

The International Seminar and Workshop "Policies fostering investments and innovations in support of rural development" brought together: policy makers in forest policy and rural development, forest policy scientists and economists, scientists working on issues related to investments, innovations and rural development, forest owners and managers, as well as other interested experts. The aim of the meeting was to review and discuss policy issues and experiences in the implementation of MCPFE commitments, to discuss scientific findings regarding policies fostering investments and innovations, and to identify key areas for further implementation action, for policy makers and the research community.

The Minister of Agriculture of the Slovak Republic opened the workshop, welcomed the participants and recalled that this event follows-up the Vienna Ministerial Conference. In Vienna, the ministers committed themselves to help to improve economic viability of forest management particularly to the benefit of rural populations. The dialogue between diverse stakeholders is inevitable for identifying key areas and sound action implementing the MCPFE Vienna Resolution 2. The minister expressed the opinion that the seminar will result in useful recommendations for those who formulate and influence the forest policies and rural development, including the politicians, managers, public administrators and researchers dealing with the problems related to investments and innovations.

Presentations provided on both days of the workshop gave a very good overview on the issues and the status of knowledge on the subjects and have set the stage for a rich but also diverse discussion. The presentations, both in the plenary and in the working groups, have shown that many aspects need to be taken into account, and that much work still needs to be done, especially also in policy.

The discussions, both in the working groups and in the plenary contributed to, enriched and deepened the awareness and understanding of the subject. The following specific results were produced in three working groups:

Results

WG 1: Role of institutions in innovation and investment.

In the working group 1, the role of different institutions was discussed for the fields of innovation and investment in forestry. The discussion found that stable institutional frameworks including a proper clarification of property rights are necessary for innovation and investment, esp. relevant in countries in transition. It was further emphasized that innovation and investment activities are dependent on enabling legal and political institutional settings. It was also underlined that better communication across sectors is needed and that capacity building on the topic of innovation and investment and future study work is important for all involved.

With regard to the field of **innovation**, the WG elaborated the following suggestions for further action on the political level and for research. Policy recommendations highlighted that innovation and investment should be market-oriented. Policy can support the private sector by provision of market information. It was also emphasized that innovation and investment should be oriented at value chains (wood and other goods and services of the forest). Most important findings for research were that research should provide the larger picture by showing overall trends, contexts, outside view and conducting competitiveness analyses.

Regarding **investment** in forestry the discussions resulted in the following policy recommendations and research needs. Policy should clearly recognize tasks for public, for public-private partnerships and for private to be fulfilled. Public institutions are, inter alia, called upon to create intersectoral structures, integrate forestry into rural and regional policies, facilitate favourable conditions for forestry activities. Public-private partnerships should share risks and responsibilities. Private actors should orient at consumer needs and market demand, PR, knowledge sharing (cluster, social capital). One research need highlighted was the study of possible upcoming future developments as well as investment obstacles.

WG 2: Integration of innovation and investment in forest and development polices/ programmes

Working group 2 focused on the issue of integrating innovation and investment aspects into forest policies and programmes as well as rural and regional development policies and programmes. The following general findings resulted from the group work: It was emphasized that innovation and investment are generally market driven activities, but policies provide the framework. Legal, policy and cultural frameworks are important for innovation and investment activities. Furthermore, innovation and investment policies need coordination and cross-sector perspectives. Several different dimensions have to be considered: there are market/non-market goods and services, relevant public and private actors, as well as sectoral and territorial aspects to be considered. The group found that NFP's and Rural Development Policies may be instruments for innovation support, however, NFP's are often rather seen and implemented as a duty instead of an opportunity, and RDP's are often only seen as subsidy tools instead of broader policies.

With regard to the policy integration of **innovation**, the following suggestions were formulated for further action on the political level and for research: in addressing policy makers, the working group found that NFP's and rural development programmes are potentially useful tools if they are used by policy-makers not only as a „duty" or „subsidy tools" but as broader instruments to promote innovation in the sector. It was also highlighted that innovation strategies should be developed by policy-makers and that cross-sectoral communication and market-information are important for promoting innovation and the development of new goods and services within forestry. Research should identify potential demand in order to define potential new business fields of forestry in which innovation activities should be invested.

For the integration of **investment** aspects, the following actions were suggested for the policy level and for research: Policy makers should enforce investment strategies, enhance public-private partnership models and invest into new markets. The group also emphasized the importance of capacity building. The most important research needs identified in the discussion was that researchers should help identify new markets or potential business fields and that science should be better integrated into political processes.

WG 3: Cooperation, Innovation and Investments – Forest Owners Perspective

Working group 3 dealt with the topics cooperation, innovation and investment, particularly from the perspective of forest owners. The following general findings were presented in the plenary, amongst others: it was found that partnerships and alliances are important, that cooperation should be initiated at local and regional level and that successful cooperation needs a common vision and informational and financing resources. On innovation and investments consumer need for market demands are key factors. However, they need an enabling legal, institutional and political environment and that it is important to invest in human capacity. Research should collect good examples and disseminate information on positive lessons (applied science). Furthermore, the role of different stakeholders, e.g. the forest owners' organisations and cooperatives should be studied. Likewise, more market research is needed.

With regard to **cooperation and innovation** the following specific demands were formulated on policy level and for research: A major policy recommendation was that cooperation should be initiated on local and regional level. Researchers are called upon to undertake case studies of success projects.

With regard to **investments** the following specific demands were formulated: policy makers should recognize and support partnerships along the value chain, that investments should be focused on consumer needs and market demands. It was underlined, however, that it is essential that the focus on SFM not be lost. Researchers were requested to study the role of associations in investment support, e.g. in new market fields and to undertake market research.

Outlook

The results of the seminar will provide input into the next MCPFE Round table and the meeting on the science-policy interface in April 2006. They will further feed into the expert level meeting in October 2006, which is an important step in the preparation of the next MCPFE conference that is planned for 2007.

Programme

Monday 27 March

8.00 - 9.00 Registration at Hotel Kaskády

Opening session
Moderator: I. Tikkanen, European Forest Institute (EFI)
Rapporteur: R. Michalak, MCPFE LUW

9.00 - 9.10 Welcome Address by the Ministry of Slovak Republic

- Z. Simon, Minister of Agriculture of the Slovak Republic
- V. Cmorik, Director of Forestry Section of the Ministry of the Agriculture of the Slovak Republic

9.10 - 9.40 Setting the Scene - Objectives and Expected Outcome of the Event

- Objectives from MCPFE Point of View, *P. Borkowski, MCPFE*
- Objectives from Research Point of View, *I. Tikkanen, EFI*
- Objectives from Forest Owner Point of View, *J.-L. Martres, Union of Foresters of Southern Europe (USSE)*

9.40 - 10.00 EU Rural Development Strategy and Emerging Policy Issues in Forestry, *M. Lazdinis, EU DG Agri*

10.00 - 10.20 Forest-related Innovation and Investment Policies and Rural Development Strategies: Key Issues, *E. Rametsteiner, EFI-INNOFORCE, Austria*

10.20 - 10.40 Questions and Discussion

10.40 - 11.10 Coffee and refreshments

WORKSHOP A: Innovation and Policies in Forestry
Moderator: E. Rametsteiner, EFI-Innoforce, Austria

11.10 - 11.20 Purpose and Expected Outcome of the Workshop, *E. Rametsteiner, EFI-INNOFORCE, Austria*

11.20 - 11.40 Fostering Innovations through the Forest Technology Platform, *C.-G. Beckeman, Forest Technology Platform (FTP)*

11.40-11.45 The Integration of Forestry Intellectual Capacity in Slovakia, *J. Novotny,*

National Forest Centre, Slovakia

11.45 - 12.00 Questions and Discussion

Division into Working Groups

Lunch is served between **13.30 - 14.30.**

Note: Each WG has one or two 10-minute presentations in the beginning.

12.00 - 17.00 WGA1, WGA2, WGA3
WGA1: The Role of Different Institutions in Forestry Innovation (incl. research issues)
Moderator: E. Hellström, Finnish Forest Association, Finland
Presentation:

- A Finnish view, *E. Hellström, Finnish Forest Association, Finland*

WGA2: Approaches to Integrating Innovation into National Forest Policies
Moderator: A. Knieling, Federal ministry of Agriculture, Forestry, Environment and Water Management (BMLFUW), Austria
Presentations:

- Integrating into the implementation of the EU Rural Development Strategy 2007-2013-Issues and Experiences, *A. Knieling, BMLFUW, Austria*

- Integrated Rural Development as Pathway for Innovations, *L.Giessen, University of Gottingen, Germany*

WGA3: Organisation and Development through Cooperation-Forest Owners Perspective
Moderator: I. Isasi, USSE
Rapporteur: A.Lengyel, CEPF

Presentation:

- Interregional Cooperation Programs, Success Stories, *C. Pinaudeau, USSE*

16.00 - 17.00 Coffee and refreshments

18.30 Departure to the Dinner / Reception

Tuesday 28 March

WORKSHOP B: Investment Policies in Forestry

9.00 - 9.10 Purpose and Expected Outcome of the Workshop B, *R. Longauer, National Forest Centre, Slovakia*

9.10 - 9.20 Financing Policies and Programmes to Encourage Investments and Innovations, *G. Dieterle, World Bank*

9.20 - 9.40 Carbon Related Investment Opportunities in Forestry, Issues and Experiences, *S. Nilsson, IIASA*

9.40 - 10.00 Policy Co-ordination in Support of Rural Development: Role of Forestry Investments, *A. Whiteman, FAO*

10.00 - 10.30 Questions and Discussion

Division into Working Groups

Coffee and refreshments available in the rooms.

Note: Each WG has two 10-minute presentations in the beginning.

10.30 - 13.45 WGB1, WGB2, WGB3

WGB1: The Role of Different Institutions in Investment Support and Related Infrastructure (incl. research issues)
Moderator: K. Kaczmarek, Forest Research Institute, Poland

Presentation:
UK / Scottish Experiences and Views, *C. Wilkins, Scottish Enterprise, Forest Industries Cluster, UK*

WGB2:Approaches to Integrating Investment Incentives into National Forest Policies (incl. research issues)

Presentation:
A Regional View and Experiences from Romania, *G.F. Borlea, Regia Nationala a Padurilor - Romsilva; Directia Silvica Timisoara, Romana*

WGB3: Forest Owners Investment in New and Emerging Markets
Moderator: N. Hufnagl, Confederation of European Forest Owners (CEPF)
Rapporteur: O. Barreiro, USSE

Presentations:

Forest-based Tourism as an Example for Developing the Full Economic Potential of Forest Holdings, *I. Korsbakken, Norwegian Forest Owner Federation, Norway*

Complexity of Services for Private Forest Owners, *I. Smolik, Foria GmbH Slovakia*

13.45 - 14.45 Lunch

PLENARY: Results of Workshops and Recommendations for Future Actions
Moderator: A. I. Sletnes, Ministry of Agriculture and Food, Norway
Rapporteur: G. Weiss, EFI PC Innoforce, University of Natural Resources and Applied Life Sciences (BOKU), Austria

14.45 - 15.30 Preparations of Working Group results

15.30 - 17.15 Results of the Workshop A & B and General Discussion

17.15 - 17.30 Wrap-up of the Event, *A. I. Sletnes, Ministry of Agriculture and Food, Norway*

17.30 - 17.45 Enclosing Comments by MCPFE, EFI, CEPF

17.45 - 18.15 Coffee and refreshments

Wednesday 29 March

Excursion: Mountain Areas with High Unemployment
The aim of the excursion is to demonstrate challenges and practical solutions to implement available policies and programmes in support of sustainable rural development.

Note: *Please be prepared with good shoes and a rain gear.*

8.00 Departure: meeting point Hotel Kaskády

9.00 Welcome in Cierny Balog

9.05 - 10.00 How forestry can help to decrease the unemployment problems in mountain areas via rural development activitites - collaboration between forest enterprise, local authority and NGO

10.00 - 10.30 Refreshments

10.30 - 13.00 *Woodland Railroad and the Forestry Outdoor Museum* - Practical illustration of collaboration between forest enterprise, local authority and NGOs

13.00 - 14.30 Lunch

14.00 - 15.30 *Municipality Forests Brezno* – Consequences of the windstorm from November 2004. Processing of the damaged timber in mountainous areas and socio-economic solutions.

15.30 Departure back

16.30 Arrival, Hotel Kaskády

List of Participants

1. Andersson Lars, Swedish Forest Agency, Sweden
2. Badin Viktor, Union of Forest Owners´ association in Sovakia-Gemer Regional Association of Non-State Forest Owners, Slovakia
3. Barreiro Mouriz Oscar, USSE, Spain
4. Bauer Anja, EFI PC INNOFORCE, University of Natural Resources and Applied Life Sciences, Vienna, Austria
5. Beckeman Claes-Göran, Forest Technology Platform (FTP), Sweden
6. Borkowski Piotr, MCPFE LUW, Poland
7. Borlea Gheorghe Florian, Regia Nationala a Padurilor - ROMSILVA- Romania, Romania
8. Bouriaud Laura, University of Suceava, Romania
9. Brodrecht Yvonne, Albert-Ludwigs-University Freiburg, Germany
10. Dieterle Gerhard, The World Bank, USA
11. Durský Jan, Foria Slovakia s.r.o, Slovakia
12. Giessen Lukas, University of Goettingen, Germany
13. Hartig Steffen, Forest Owner Association Hannover in Lower Saxony,
14. Hellström Eeva, Finnish Forest Association, Finland
15. Hufnagl Natalie, Confederation of European Forest Owners (CEPF), Belgium
16. Hustak Marian, Union of Forest Owners' association in Slovakia-Gemer Regional Assocation of Non-State Forest Owners, Slovakia
17. Hyttinen Pentti, Regional Council of North Karelia, Finland
18. Isasi Iñaki, USSE, Spain
19. Jovic Dusan, Ministry of Agriculture, Forestry and Water Management, Serbia and Montenegro
20. Jovíc Predrag, Ministry of Agriculture, Forestry and Water Management, Serbia and Montenegro
21. Kaczmarek Krzysztof, Polish Forest Research Institute, Poland
22. Knieling Albert, Federal Ministry of Agriculture, Forestry, Environment and Water Management (BMLFUW), Austria
23. Korsbakken Ivar, The Norwegian Forest Owners' Federation, Norway
24. Kubista Jaroslav, Forest Management Institute, Czech republic
25. Lazdinis Marius, European Commission, Belgium

26. Lengyel Atilla, CEPF, Hungary
27. Luzsi József, Federation of Private Forest Owners and Managements in Hungary (MEGOSZ), Hungary
28. Manser Rolf, Federal Office for the Environment (FOEN), Switzerland
29. Martres Jean-Louis, Synd. Sylv. Sud-Ouest, France
30. Matejicek Jiri, Forestry and Game Management Research Institute, Czech Republic
31. Michalak Roman, MCPFE LUW, Poland
32. Nastase Carmen, University of Suceava, Romania
33. Nilsson Sten, International Institute for Applied Systems Analysis (IIASA), Austria
34. Novotny Julius, National Forest Centre, Slovakia
35. Nybakk Erlend, Norwegian Forest Research Institute, Norway
36. Ollonqvist Pekka, Finnish Forest Research Institute, Finland
37. Orlovic Sasa, Institute of Lowland Forestry and Environment, Serbia and Montenegro
38. Ozols Arvids, Ministry of Agriculture, Latvia
39. Pajari Brita, European Forest Institute, Finland
40. Pallagi Ferenc, Federation of Private Forest Owners and Managements in Hungary (MEGOSZ), Hungary
41. Pekkarinen Ilkka, Savonia University of Applied Sciences, Finland
42. Pfeiffer Diana, FAO Sub-regional office Budapest, Hungary
43. Pinaudeau Christian, Synd. Sylv. Sud-Ouest, France
44. Podstatzky-Lichtenstein Michael, Svol. Sdružení vlastniků obecních a soukromých lesů v čr, Czech reublic
45. Prcina Anton, Forestry and Game Management Research Institute, Czech republic
46. Radosavljevic Aleksandar, Ministry of Agriculture, Forestry and Water Management, Serbia and Montenegro
47. Rametsteiner Ewald, EFI PC Innoforce, University of Natural Resources and Applied Life Sciences, Vienna, Austria
48. Šálka

1. Jaroslav, Technical University in Zvolen, Slovakia

49. Sárvári János, Federation of Private Forest Owners and Managements in Hungary (MEGOSZ), Hungary
50. Sarvasova Zuzana, National Forest Centre, Slovakia
51. Seeling Ute, Arbeitsgemeinschaft Deutscher Waldbesitzerverbände e.V. (AGDW), Germany

52. Setzer Frank, Federal Research Centre for Forestry and Forest Products, Germany
53. Silamikele Ilze, Ministry of Agriculture Republic of Latvia, Latvia
54. Šinko Milan, University of Ljubljana, Slovenia
55. Sletnes Arne Ivar, Ministry of Agriculture, Norway
56. Stoyanov Nickola, University of Forestry, Bulgaria
57. Teder Meelis, Estonian University of Life Sciences, Estonia
58. Tikkanen Ilpo, EFI, Finland
59. Tököly Miroslav, Mesteké lesy Košice a.s., Slovakia
60. Vaite Iveta, Ministry of Agriculture Republic of Latvia, Latvia
61. Venzi Lorenzo, University of Tuscia, Italy
62. Weiss Gerhard, EFI PC Innoforce, University of Natural resources and Applied Life Sciences, Vienna, Austria
63. Whiteman Adrian, FAO, Italy
64. Wilkins Cedric, Scottish Enterprise, UK
65. Yilmaz Ertugrul, Aegean Forest Foundation, Turkey

Welcoming Address

Zsolt Simon
Ministry of Agriculture of SR

Ladies and gentlemen, dear guests,

Allow me to welcome you to Central Slovakia, to the region where academic, scientific and research capacity of the forest sector is concentrated, and where there are many examples of the utilization of forestry for the benefit of rural areas. I am very glad and at the same time honoured to welcome the representatives of such important international organizations and associations as FAO, UNECE, European Commission, European Forest Institute, Confederation of European Forest Owners (CEPF), the Association of the Foresters from Southern Europe, representatives of the European countries, countries from the North America and Asia as well as forestry specialists from our country and all dear guests. I would like to use this opportunity to thank the representatives of Liaison Unit of Ministerial Conference on the Protection of Forests in Europe that has its headquarters in Warsaw, Poland, for the collaboration in the organization of this international workshop. I would also like to thank the other foreign collaborators and national supporters who have contributed so that National Forest Centre – Forest Research Institute Zvolen could create a space for this very important professional discussion on such a significant issue as forest policies that support investments and innovation processes in rural development.

The current workshop reminds me of the Fourth Ministerial Conference on the Protection of Forests in Europe in April 2003, where the willingness of the European ministers to support the various benefits forests bring to people, especially in the rural areas was declared. That was the reason in the Vienna Resolution why I promised, together with other ministers, to include a board variety of forest benefits into our own strategic intentions and political decisions. The discussion during this workshop among the representatives of individual European ministries, professionals from science and research as well as the academic world, forest owners represented by important international associations and significant international governmental organizations that work on the world-wide as well as regional forestry strategies will surely contribute to the standpoints and interests of the groups from different parts of forest sector. I expect that this meeting will formulate such conclusions and measures that will be beneficial for the implementation of political and economic decisions related with forest and forestry as well as real life in rural areas.

I appreciate the initiative of the foreign and Slovak specialists, who with help of this workshop want to draw attention and solve problems of the Vienna Resolution II that is oriented towards the sustainable forest management with the aim that forests could fulfil in a long term their irreplaceable function that is providing services and products with economic benefits. I am aware that in the rural areas forest is very important, and in many, including European countries, it can be the most important source of revenues and employment for the most of population. Already the Resolution itself indicated that the ministers in their own decision making support this role of forest and create conditions for its interconnection through effective economic policy. It is important for the implementation of the declaration also to take into account the attitudes of forest owners in relation to forests to increase economic viability as the most effective and flexible collaboration and innovation support that can contribute effectively to creating optimal conditions for the life of rural population and development of rural regions. The Slovak Republic as a member state of the EU and signatory

country to the most of resolution of previous Ministerial Conferences on Forest Protection in Europe is aware of its responsibility for Pan-European and national wealth that represent forests for the present and future generations. The fact that economic effectiveness is a key pillar for sustainable forest management not only on national levels but also on regional level is important as well. It has a decisive effect on the preservation of forests and their various benefits for the people. I strongly believe that the proposed targets of the workshop will benefit all involved partners of the ministerial workshop, especially on topics like
Review and discussion on political problems, experiences and possibilities of investments support and innovations with an emphasis on the enhancement of competitiveness and economic effectiveness of the forest sector and integrated rural development;
Dissemination of the latest information and scientific knowledge on the investments support and innovations in the framework of the policy and strategy of sustainable rural development and interconnections with forestry that was the issue of the programme of world-wide ministerial conferences within the Programme of FAO, regionally for Europe, as well as the last Sixth UN Forum on Forests (New York, February 2006), Lisbon Strategy of EU and Forestry Strategy of EU (1998).

Another benefit of this international workshop is the fact that the Slovak Republic is the host also of the session of invited experts in forest policy and top personalities of forest science.
I am confident that the work of working groups will result in interesting and beneficial recommendations for political decision makers who decide about forest policy and rural development as well as for science and research workers, economists, representatives of local self-governments, who deal with the problems of investments, innovations in rural development and mainly for forest owners, forest managers and other specialists who participate in the collaboration related the mentioned issues.

Ladies and gentlemen, dear guests, I am honored that I could with my welcoming address open this international workshop where the work of the foreign and national specialists will be a guarantee for a better understanding and implementation of the resolutions adopted at ministerial conferences on forest protection in Europe. I wish you a good working atmosphere, creative and fruitful discussions and an enjoyable stay with a chance to know practical solutions of the problems of mountain regions through the implementation of suitable projects and programmes that would support also the development and improvement of the quality of life in rural areas in Central Slovakia. I wish you will enjoy a visit to Forestry Open Air Museum in Vydrovská valley and Čierny Balog. I am glad that as the signatory to Vienna Resolutions I will have an opportunity to use the recommendations adopted in the conclusions of this international workshop in my work in the Government of the Slovak Republic.

Thank you for your kind attention.

Perspectives and Objectives of the Forest Owners of the South of Europe

Jean-Louis Martres
Board of the USSE

What do we expect from this event where all the forest authorities in Europe have convened?

I am here to talk on behalf of the foresters in southern Europe where we are trying to start a revolution. Let us be more modest, we wish to initiate a radical change and we have agreed that our mission is to inform the authorities of our countries of our initiative. We feel that another method of progress must be found to join and supplement the one related with the high technologies.

The end of era of production is near and it will finish, *inter alia*, by the replacement of petrol as source of energy.

The competition of power between the States passes by the possession of the most advanced technologies. And so all the attention is focused on these fields and distracted from those which constitute the social tissue and ensure life and work for the majority of the population. In Europe there are more than 90% small and medium-sized enterprises, which in certain countries have an eminent role in exports. We belong to this universe of agriculture.

Our revolution is not about opposing to something specific. The question is more about reversing the image of modernity, associated only to the technology that allows gigantism of the companies in search of a multinational monopoly, devaluing traditional arts, relegating them to a third place, not forgotten but folklorized. Even if each one knows that these sectors represent important sources of income and employment ensuring the stability of the countries, their image is weak and does not carry any hope of progress. They do not have their place in the magic triangle of which each one must be proud of: research, innovation, technology transfer.

If we pay attention to these developments, in fact peripheral phenomena have made the forest to get out of its silence, in a certain way, by rebound, without being the selected destination of the reflections:

- the energy crisis resulted in further attention on firewood
- the energy crisis resulted in further attention on biomass
- the greenhouse effect has risen the awareness on carbon storage
- the ecologist groups (despite of them) highlighted wood qualities as ecomaterial.

While wanting to save the primary forests, they have helped to understand that wood was a unique richness because it is naturally renewable, and the bid for the petrol raising its prize will reinforce this trend.

We wish, departing from the forest itself, to reverse the former reasoning and to present the forest as one of the keys of modernity. Apparently the big thinkers of the State services have never considered it and have remained looking for a wrong image of progress. For this reason our first target is a linguistic one. Indeed, my remarks may seem for you a banality, but outside of this workshop of specialists, the public opinion is still in the utility stage and considers the forest as landscape and decoration. It has become an object of consumption,

included in the circle of the commercial world, in the shape of a free show. Some experts have believed to have found an issue in making pay these famous amenities or services.

To want to make a commercial good in order to recover income implies disadvantages, those of making the manager a museum employee, increasingly deprived of initiative due to the fear of harming an imaginary heritage. This heritage has been represented in an ideal state at the 18th and 19th centuries thanks to the paintings and the naturalism of Rousseau. People of the cities ask for a big garden, even if its size might be the same of the whole rural areas.

If the forests provides free services, much better, they should continue to do it, but we should not block the efforts, research, and innovations of the manager.

We wish to apply the principle of the precision of terms, which means that each word corresponds to a precise function. This research on semantics is an absolute priority, because by evoking the forest, we do not all speak about the same thing, for example:

- In the speeches of the public opinion, there is claim of a right of user,
- In that of the ecologists, there is a feudal will to dictate to the managers their conduct,
- In that of the technocrats prevails the idea of a spontaneous management of space, intended to fill the set aside of agriculture,
- For the administration, it is an object of regulation which increases its borders.

However, it is up to the manager to defend his place in the public space, because he is the last destination of the standards and regulations of which he has the charge of application. Most of the time the accumulation of indigestible texts has no relationship with their effectiveness. It is imperative to put everything in order with a clear and precise ideas.

The forest is alive, it goes, it invents itself, it is modern, more so than the quickly out-of-date gadgets, because it constitutes in Europe an ecosystem together with the man, the forests cannot be dissociated from the people. The forest has an engine and that is the man. We are not ashamed to state it, quite on the contrary, and we do not have any will to change to the current politically correct speech, which divinise nature, without never finding a serious base for this dogma.

It is thus necessary to return the debate to its place and to find arguments which transmit the message beyond the circle of the experts on forestry, because the participative democracies reject the monopoly of the individuals or the professions. We have neither the means, nor the desires to oppose to it. But we must be able to make a common, simple and immediately understandable speech. That is why we have chosen two tactics.

The first relates to the language. We have decided to promote **cultivated forest**. The term shocks engineers because it is related with plantations, object of much criticism. The public opinion is different because it immediately seizes the relation of man and tree, but also the cultural aspects of this connection.

The public opinion is already familiar with this type of thinking that is closer to agriculture. Let us take the example of vineyards which highlights the relation between the farmer and his crops and evokes at once a subtle art where knowledge is measured in hundreds of years. Anyway, the wine grower does not despise the most modern techniques of chemistry or physics. There is, in comparison with the madness of the consumerist speed, a whole praise of slowness and time, which allows a continuous progress. It is in this sense that we want to

work to make it understood that silviculture is not an old-fashioned passion of indigenous people, on the contrary, it is one of corner stones of modern development. We try to pass this idea because next to the high-tech there are sectors whose constant and universal role can last beyond the modes and fast expiration of the technique tools.

In a word, the cultivated forest is not a technical concept and thus an object of a definition by science, but a political concept, polysemic, evoking all types of relations and cultures which the man can tie with a tree with the aim of improving his income or his way of life.

It has also the merit to draw up essential borders for communication. Indeed it separates cultivated forests from primary forests and makes it possible for the first one to help the second one by saving it.

Moreover, it separates the farmer from the user, and returns to the manager his first place.
Finally as a space manager, we can claim a social role, by producing free amenities, provided that the state revises its priorities. And it is there where the revolution is, because while investing in the cultivated forest, the state does not subsidize a sector in regression to help it to die, but ensures sustainably the future of its population.

The battle is not lost, because this reversal will reverse the absurd outlooks, all built on the programmed collapse of the price of the raw materials. The growth of China and India shows the limits of an economic science that states low price trend as a final dogma.

The second tactic is also of political nature. It relates to the setting up of a network of the forest system of the South. We do not believe it is possible because of the vastness of the territories concerned, the diversity of the cultures and the political regimes a organization of the type of OPEC, which, moreover, has shown its limits. The forest is weak and if it wants to increase its influence, it must choose the way of the power. We are persuaded that it is necessary to gather on specific issues initially and to benefit from the new European space to unify the forest owners, for a long time separated by borders. And this, in order to give birth to homogeneous entities, on the associative, technical and economic fields, while being reinforced though the network, they will create resources of power able to influence the regional political machines. We are obliged to do this taking into account the characteristics of the forests of the South, but that does not exclude the desire to take part in any attempt to find common grounds for North-South concepts.

At the same time, it is necessary to find a flexible structure which will be reduced to the minimum, will be able to arrive immediately to the places where forest decisions are taken, in order to make understand our interests, our common language, and to impose it to powerful networks, but networks gathering only users, i.e. the multinationals ecologists. We could not avoid making an effort, in this field, for the de-construction of the ecologist idea.

It is necessary to claim our main role in environmental protection, we must be very severe towards a puritan ideology, which has taken all elements of the structure of Marxism to seduce the public and make their voice heard.

This speech is not “politically correct”, because it shows one of the extremes, daring to dispute what has become a common ground for many. But remember, it is not by accepting the totalitarianism, by making compromises, by using their vocabulary, which one is able to overcome them.

By pushing certain arguments to the maximum, one becomes an actor who will be taken into account at the time of negotiation.

EU Rural Development Strategy and Emerging Policy Issues in Forestry

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1. Innovation and the European Communities

Innovation has been a cornerstone for many of the new developments in the European Communities since the launch of the Lisbon Strategy by the European Council in March 2000 (Commission of the European Communities 2005a, b). The Commission Communication on implementing the Community Lisbon Programme, delivered in October 2005, in its title alone already calls for "More Research and Innovation – Investing for Growth and Employment" (Commission of the European Communities 2005c). The Commission in this document declares that: "To achieve sustainable global competitiveness, the EU has no choice but to become a vibrant knowledge economy. That is why, in launching the new Lisbon partnership for growth and jobs, the European Council singled out knowledge and innovation for growth as one of three main areas for action" (p. 3).

To match the objectives with the action, the Commission calls for higher priority to research and innovation in allocating public expenditure (Commission of the European Communities 2005c). To this end, the Commission is committed, through the strategic guidelines and its interaction with Member States and regions, to promote the use of Structural Funds and Rural Fund to improve knowledge and innovation for growth.

This paper focuses on three aspects in relation to the main theme of the workshop – "Policies fostering investments and innovations in support of rural development". First, the concept of rural development policy will be briefly discussed emphasising the shift in paradigm of agricultural policy from sectoral to territorial approach. Then, more specifically, the EU rural development policy will be addressed. The main focus in this respect will be on the rural development policy for the upcoming financial framework 2007–2013. Closer integration of the EU rural development policy and the forest-sector initiatives becomes very important in the context of: (1) a broad acceptance of the shift in rural development policy paradigm from sectoral to territorial approach, (2) the increasing role of rural development policy, (3) and the commonly voiced need for better coordination and coherence of forest-related policies. In this respect, the third part of the paper will outline the most recent developments in the forestry-related policy area and the relevance of these developments to rural policy and innovation.

2. Concept of rural development policy

Forestry has been historically an intrinsic part of the rural life and economies. However, the link between forestry and rural development has even more increased with a change in the paradigm of agricultural policy. This change is fuelled largely by two main factors: agricultural diversification and a shift from sectoral to territorial approach.

In November 2003, a wide range of stakeholders with an active interest in ensuring that economic, environmental and social development of Europe's rural areas is sustainable, have met in Salzburg for the European Conference on Rural Development. This Conference has "sowed the seeds" of a new approach of a policy focused on a diverse and living countryside and provided an input to the drafting of the new EU rural development policy, addressed

below in this paper (European Communities 2004). The Conference, in its final declaration, has recognised that "the development of rural areas can no longer be based on agriculture alone […] diversification both within and beyond agricultural sector is indispensable in order to promote viable and sustainable rural communities" (European Communities 2004, p. 195). It has been considered both that rural development policy must serve the needs of broader society in rural areas and that the competitiveness of the agricultural sector must be increasingly underpinned by the diversification, innovation and value added products that consumers demand (European Communities 2004).

The publication by OECD titled "The Future of Rural Policy: From sectoral to place-based policies in rural areas" reports from a conference under the same title ("The Future of Rural Policy") held in Siena, Italy in 2002 (OECD 2003). As seen already from the title of the book, participants of the Conference and contributors to the publication emphasise the change in rural development paradigm – from sectoral to territorial approach. The overall conclusions advocate a shift in rural policies from focusing on a single sector – agriculture – to developing a wide range of economic activities. In this context it is emphasised that discussions on policy objectives and instruments for policies in rural regions should address "shifting from a sectoral to a place-based approach, including attempts to improve co-ordination and to integrate the various sectoral policies at regional and local levels" (OECD 2003, p. 20).

This change in the paradigm of agricultural policy may have important consequences to the area of forest policy. Deriving from the above developments, it could be anticipated that in the future rural development policies will increasingly become important for the forestry sector. As a result of this widening of the scope of agricultural policies and broadening of the spatial coverage, it may be expected that forest policy will increasingly be interconnected with rural development policies.

3. The EU rural development policy

3.1. New Rural Development Regulation

Rural regions in the EU represent 92% of the territory, and over half of the EU's population live in rural areas (Council 2006). These regions generate 45% of the Gross Value Added in the EU and provide 53% of the employment. Covering large parts of rural areas, forests provide a range of goods and services, which are of a vital importance to the rural population, creating economic welfare and employment. However, rural regions tend to lag behind non-rural areas regarding a number of socioeconomic indicators. For example, in rural areas, per capita income is around a third less, activity rates for women are lower, the service sector is less developed, higher education levels are generally lower, and a smaller percentage of households has access to broadband internet (Council 2006). Remoteness and peripherality are major problems in some rural regions.

During the last years, the main instrument for achieving the Community objectives in forestry have been measures carried out in the scope of rural development. The core instrument facilitating rural development in the EU during the last six years has been the Council Regulation No 1257/1999 – the Rural Development Regulation. However, as this programming period (2000-2006) is coming to an end, new Rural Development Regulation has already been adopted by the Council (Council 2005a).

The new regulation emphasises three core objectives in support of rural development:

- Improving the competitiveness of agriculture and forestry by supporting restructuring, development and innovation;

- Improving the environment and the countryside by supporting land management;
- Improving the quality of life in rural areas and encouraging diversification of economic activity.

The new Rural Development Regulation, to implement the above objectives, requests the Member States to structure their rural development programmes in accordance with four axes:

- Improving the competitiveness of the agricultural and forestry sector;
- Improving the environment and the countryside;
- Quality of life in rural areas and diversification of the rural economy;
- LEADER.

The newly adopted Rural Development Regulation signifies an important improvement of instruments for the delivery of rural development policy. One of the main improvements, in comparison with the currently applied practice, is bringing rural development under a single funding and programming framework. Another general advancement is the proposed use of strategic guidelines for outlining the EU's priorities for rural development. A reinforced monitoring, evaluation and reporting system based on a common EU framework agreed between the Member States and the Commission will be introduced, to ensure more transparency and accountability for the use of EU money. A general representation of the structure of the new Rural Development Regulation is provided in Figure 1.

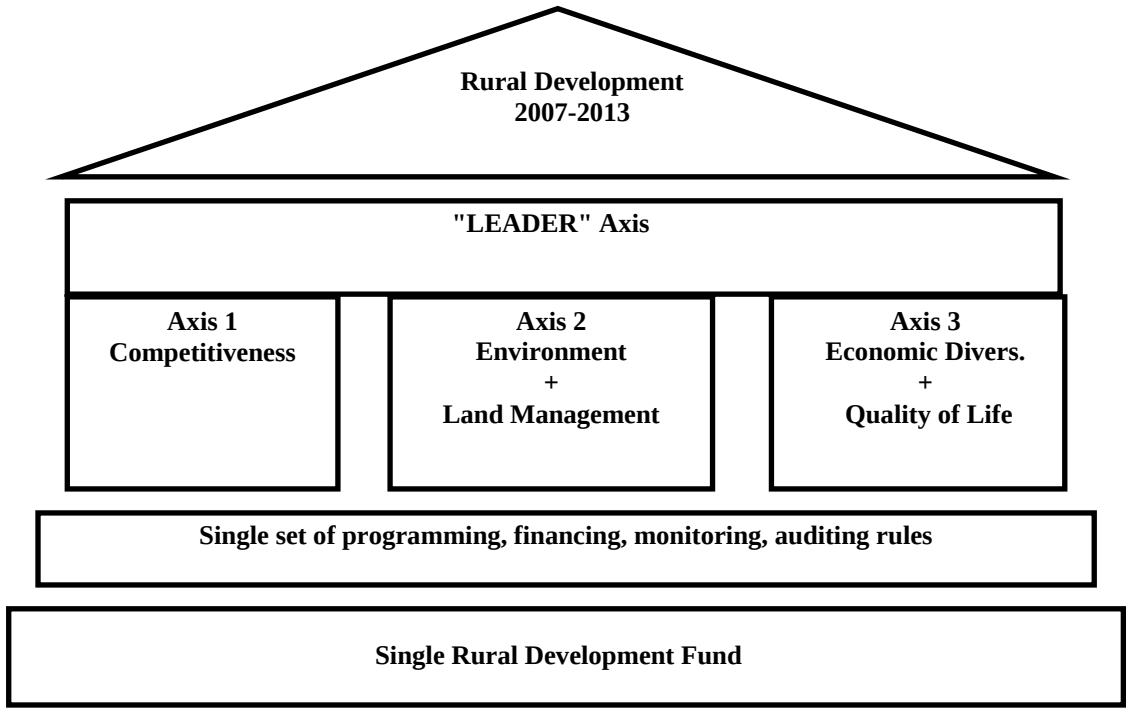

Figure 1. General representation of the structure of the new Rural Development Regulation.

3.2. Forestry measures

The availability for selection of forestry measures has been increased in the new Rural Development Regulation, if compared to the present programming period. In general, if used to its full extent, the set of measures for the upcoming programming period will enable significant investments and innovation in forestry facilitating sustainable forest management in the EU.

Under the Axis 1 – improving the competitiveness – several options exist for providing support for activities in the forestry sector. In the context of the measures aiming at promoting knowledge and improving human potential, the forestry-related activities may be carried out in the following fields: vocational training and information; use by farmers and forest holders of advisory services; setting up of forestry advisory services (new for this programming period). In relation to the measures aiming at restructuring physical potential and promoting innovation, the support is available for: improving the economic value of forests; adding value to primary forestry production (new for this programming period); improving and developing infrastructure related to the development and adaptation of forestry.
A new measure under this axis has been introduced for this programming period, which ought to be singled out as of particular importance, considering the main topic of this conference. It is a possibility to receive a support for "cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector". It is foreseen that this cooperation may take place between primary producers in agriculture and forestry, the processing industry and/or third parties. This new measure is expected to contribute to covering the costs for cooperation for the development of new products, processes and technologies in forestry sector, such as: preparatory operations, including design, product, process or technology development and tests and investments related to the cooperation, before the use of the newly developed products, processes and technologies for commercial purposes.

Under the Axis 2 – improving the environment and the countryside – the support for forestry sector may also be provided for a range of activities. Measures targeting the sustainable use of forestry land may include: afforestation; establishing agro-forestry systems (new for this programming period); Natura 2000 payments; forest-environment payments; restoring forestry potential and introducing prevention actions; support for non-productive investments (to serve environmental and social purposes).

The options for selection of forestry-related measures under the Axis 3 – quality of life and diversification – are not as broad as under the above two axes, but still provide some opportunities for facilitating sustainable forestry. Measures to diversify the rural economy comprise forest-related activities such as: diversification into non-agricultural activities; support for creation and development of micro-enterprises; encouragement of tourism. Forestry-related activities can also be carried out in the context of measures to improve the quality of life in the rural areas and a training and information measure for economic actors operating in the fields covered by this axis.

Axis 4 – Leader – focuses on implementation of local development strategies through a Leader approach, contributing to the achievement of the objectives of one or several of the three other axes.

3.3. Strategic approach to rural development and programming

In order to identify the EU's priorities for rural development, Community strategic guidelines for Rural Development were adopted in February 2006 (Council 2006). These strategic guidelines set out a strategic approach and a range of options which Member States could use in their national Rural Development Programmes. Presently, the Member States are in the process of preparing the national strategy plans indicating the priorities of action, taking into account the Community strategic guidelines.

Later in the year, the national rural development programmes will be presented by the Member States to the Commission for the approval. These programmes should implement a rural development strategy through a set of measures grouped together in accordance with the axes outlined in the Rural Development Regulation. The Commission is presently finalising a draft "implementing" regulation – a regulation laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

4. Emerging issues in forestry-related policy area

The Council Resolution on a Forestry Strategy for the European Union in 1998 established an overall framework for forest-related actions in support of sustainable forest management (Council 1999). Activities in the area of forest policy in the EU are coordinated and streamlined line with the principles outlined in the EU Forestry Strategy. The Commission in 2005 reported on implementation of the Strategy and in this report proposed developing an EU Forest Action Plan (Commission of the European Communities 2005d). The document was discussed in the Council and a general agreement was found among the Member States to support the Commission proposal put forward in the Communication. Council Conclusions on an EU Forest Action Plan were adopted asking the Commission to complete the Action Plan by the mid-2006. With the adoption of the Council Conclusions the Commission has received a clear mandate for the development of an EU Forest Action Plan (Council 2005b).

The Commission by now has nearly finalised development of the Action Plan. Building on the principles outlined in the EU Forestry Strategy, the Action Plan will provide a framework for forest-related actions at Community and Member States level and will serve as an instrument of coordination between Community actions and the forest policies of the Member States. It is foreseen that the Action Plan will focus on four main objectives: (1) improving long-term competitiveness; (2) improving and protecting the environment; (3) contributing to the quality of life; and (4) fostering co-ordination and communication. The EU Forest Action Plan will encompass both Community forest-related actions and forest-related actions proposed to be carried out by the Member States. The nature of actions varies, however, activities related to information exchange and communication make up a large share of the Action Plan. It will also point out additional actions that can be carried out by the Member States according to their specific conditions and priorities, with support from existing Community instruments, although implementation may also require national instruments. It is expected that the Action Plan will cover a period of 5 years starting in 2007. It is foreseen that the Standing Forestry Committee will serve as the co-ordinating body in implementation of the actions foreseen in the context of the Action Plan.

It is expected that the EU Forest Action Plan will become a dynamic element of the EU Forestry Strategy. Rural Development Regulation is one of the main instruments providing financial support for implementation of the actions outlined in the Action Plan.

Considering the recent developments in the area of agricultural policy and the emergence of the EU Forest Action Plan, it may only be expected that interdependence between the rural development policy and the area of forest policy will increase in the future. This may be considered as to the benefit of forestry as a whole, as Community in general is committed to improving knowledge and innovation for growth, and Rural Development Regulation serves as one of its strongest instruments for promoting these objectives in rural areas.

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Forest-Related Innovation and Investment Policies and Rural Development Strategies – Key Issues

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Conditions for competitive forestry change fast

As a result of various political, technological and societal developments, the conditions for the competitiveness of forestry and the forest sector in Europe are changing fast. The role of forestry in national economies is steadily decreasing while societal and environmental demands increase. This implies the need to change from a traditional view of raw material supplier to the provider of a multitude of services, ranging from energy to recreation.
Changing conditions imply risks but also new opportunities. Given the right frame conditions, forest owners and managers can make use of new opportunities by supplying new products or services and adapting organisationally and technologically to new conditions in rural areas. In fact, innovation and investment become crucial for the competitiveness of the single forest holding, as well as for forestry and rural areas and thereby for the income and well-being of people living in rural areas. Policy has a key role in setting appropriate frame conditions.

Innovation is a survival strategy

Nowadays innovation is considered to be the engine of technological change, economic growth, and competitiveness. There is also general agreement on the need for strong innovation policy efforts, as they have an important influence on the direction and rate of the sector's development (or stagnation). However, the understanding of how innovation actually takes place and how policy can promote the process differs amongst different economic schools as it does across sectors. In the forest sector this understanding is generally weak.

Innovation is commonly understood to mean the development and implementation of something new in the forestry sector or in particular firms. Innovation in forestry comprises new products (e.g. new wood products, non-wood products, wood for bio-energy), new services (e.g. mountain biking, forest education, nature protection), technological improvements (e.g. new harvesting technologies) and organisational changes (e.g. co-operation, improved logistics) by forest holdings. The degree of novelty of an innovation may range from being new to a particular forest holding to being new for the whole forest sector, from incremental improvements in products and processes to innovations that radically modify technologies as well as markets. Thus, innovation in a firm is often innovation diffusion in the sector (e.g. biomass, co-operations).

For many innovations firms or persons need to undertake investments. Investment comprises both domestic and foreign direct investment, private and public. In practice, the often small private investments are of particular importance in rural development context in many countries. Forest investments are only made if forest owners or managers see a future in forestry and get an acceptable return on their investment. Declining levels of investment in a sector is a clear warning sign to policy makers.

But innovation activity and investment in forestry is low

Currently, in Europe, many frame conditions in forestry are not supportive to innovation or investment. A high fragmentation of ownership and consequently a low average size of forest holdings result in little full-time work in forestry and thus in a low share of income from

forestry. According to the research results of the EFI PC INNOFORCE, the innovation activity of forest holdings in Central Europe in general is quite low, especially in small forest holdings. Overall, business as usual is the dominating strategy. Most innovations are incremental and usually not new to the market. Forest holdings focus on implementing organisational innovations, rather than wood- and non-wood products or technological innovations. They thus focus on cutting costs, but not on identifying new sources of income. Innovative forest owners underline the role and benefit of good information followed by financial support as highly supportive of implementing an innovation. Impediments to innovation most often concern market risk as well as financing innovation and managing internal re-organisation (see Rametsteiner et al. 2005).

The role of policy in innovation is re-assessed

Over the last decade the understanding of innovation and the role of different players in promoting innovation has changed. While it is clear that innovation is essentially private business, innovation policy, such as the EU innovation policy, is no longer solely seen in financing research and development and securing property rights (neo-classical approach). This reflected the 'traditional' approach of science and technology policy as it prevailed until the end of the last century. This approach often bases on the assumption of linear innovation processes where policy can steer innovations by financing public research only, and where innovation is frequently conceptualized as focusing on technological breakthrough. Policy finances research because knowledge is regarded as a public good and consequently private investments in research are structurally below the socially optimal rate of investments.

Today the role of policy is increasingly seen as acting as a facilitator of innovation in the private sector, promoting innovation by ensuring collaboration and knowledge transfer amongst those who are or should be involved in the development and flow of new knowledge and by ensuring supportive frame conditions (systemic approach). This approach sees innovation as a process occurring in an environment where many actors are involved. Innovation does not automatically follow a linear way and policy can influence the innovativeness of the economy in many respects, including strengthening learning and developing efficient networks for the distribution of knowledge, through taxation, physical infrastructure, laws and regulations, etc. Innovation policy is seen as a holistic task, including a wider range of policy areas than solely industry and technology policy.

Innovation policy is shifting from a policy mainly undertaken by one ministry/department to a horizontal policy issue that has to be integrated in several sectoral policies to be effective. Since forest aspects are embedded in a range of other policies, horizontal and vertical policy co-ordination and integration of innovation and investment policies is a major task. Innovation policy would thus require to be integrated into forest policy which in turn needs to be co-ordinated with other policy areas, such as Rural Development, Regional Development and Sustainable Development Policies, Energy Policy, etc.

What is the role of forest policy?

A key question is how forest policy makers, especially forest administration and forest owners' associations best deal with emerging changes, challenges and opportunities. How is innovation perceived and addressed by forestry policy and stakeholders? Is innovation integrated into sectoral development strategies and are related measures adopted? And on which activities do policy and stakeholders focus?

Two recent surveys jointly undertaken by the EFI PC INNOFORCE, the UNECE and the CEPF explored how innovation is seen and addressed by forestry administrations and forest

owners' associations across Europe. In co-operation with the UNECE a first survey was conducted among representatives of ministries responsible for forestry (forest administration) in Europe. The standardized questionnaire was sent out by email to 32 countries in August 2005. The questionnaire was returned by representatives of the forestry administrations of 18 countries, i.e. around 56% of the target group (Bauer and Rametsteiner 2006). A second survey targeting forest owners' associations was undertaken in co-operation with the CEPF from January to March 2006. The questionnaire was sent to forest owners' associations in 26 countries, of which 14 or around 54% returned the questionnaire (Bauer and Rametsteiner 2006).

Overall, the surveys showed that innovation is well recognised as an important issue by forest policy as well as by forest owners' associations across Europe. Within (governmental) forestry administrations two different views on the role of policy in innovation processes dominate: One approach sees the role of policy in funding public research and setting goals for science and technology development (see Figure 1). The other approach sees the role of policy in addressing systemic failures and inducing and facilitating innovations. Within forest owners' associations across Europe, clearly the neo-classical approach of policy as a financer of science and technology development prevails.

Generally, in countries with economies in transition the neo-classical approach dominates while in countries with a longer market tradition the systemic approach is more widespread also among actors of the forest administration and forest owners' associations. The view on the role of policy in innovation processes has consequences on the actual innovation policies and strategies of the actors in the forestry innovation system. The systemic approach includes a much wider range on innovation support measures/activities than the neo-classical approach. Further the systemic approach places much more emphasis on measures to support interaction, co-operation, learning and promotes policy integration as well as co-ordination.

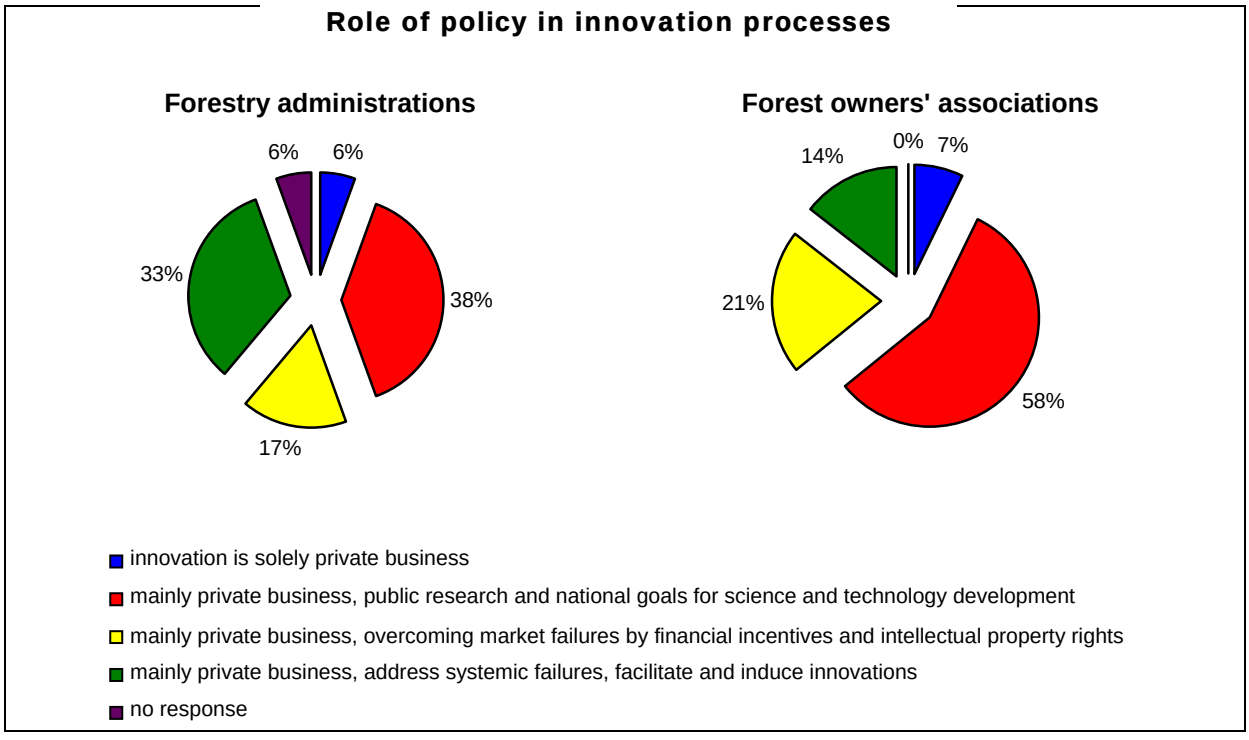

Figure 1. The role of policy in innovation processes as seen by forestry administrations and forest owners' associations.

Comprehensive innovation support is missing

While the importance is recognised, forest policy in most countries has only implemented few and unco-ordinated measures to address innovation in forestry (see Figure 2). Especially in countries with economies in transition there is a lack of strategies and programmes fostering innovation. Most countries address innovation in general forest policy documents and programmes, for example the National Forest Programme/Plan or Strategy.

While also the majority of forest owners' associations recognise the importance of innovation for forestry, around 1/3 of the forest owners' associations have no measures implemented to promote innovation in forestry. Another 20% offer only few and unco-ordinated measures (see figure 2). Consequently the vast majority (2/3) of the forest owners' associations have addressed innovation in general policy or strategy documents. In countries with economies in transition the vast majority of forest owners' associations either state that innovation is no issue for them or that the importance of innovation is recognised but no measures are introduced. Here, other issues are considered much more important for the forestry associations, as private forestry and consequently also associations are relatively young. Forest owners' associations in countries with a longer market tradition, in contrast, are much more engaged in innovation support.

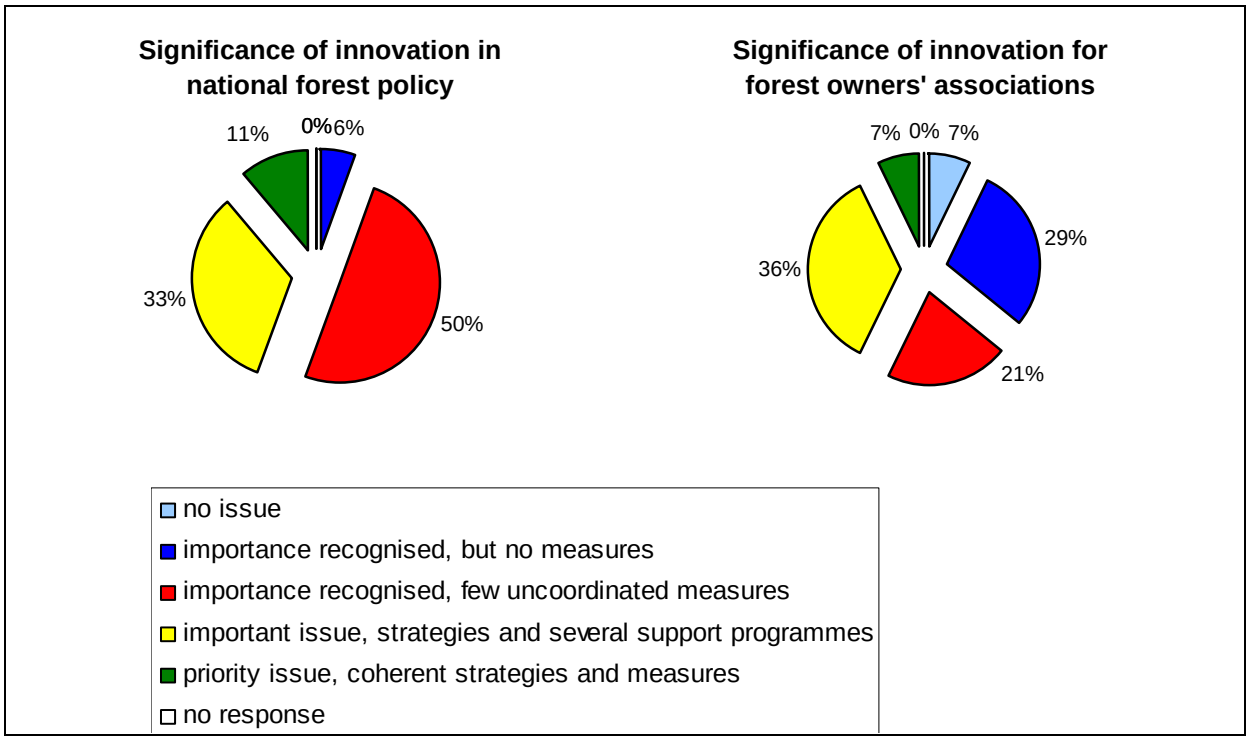

Figure 2: The significance of innovation for forestry administrations and forest owners' associations.

Figure 3 shows in more detail what forestry administrations answered to the question which activities related to innovation are actually supported by forest policy. Following the systemic approach, the main role of policy in innovation processes is to facilitate innovations and improve overall conditions for innovation. Innovation support thus comprises a wide range of measures, including:

- support for private sector innovation activities,
- support for co-operations and co-ordination
- support for strengthening human resources development

Within the category 'support for private sector innovation activities', surprisingly, many answers imply that early phases of innovation are better supported than the diffusion phase. Answers regarding the support of the early phase of innovation processes, i.e. support for pilot application/test projects, support for new product development, and support for demonstration projects, were reported to be more often supported than the diffusion of products and processes. In contrast to these answers, research by the EFI PC INNOFORCE has shown that forestry organizations active in innovation promotion in many European countries are active in technological and organisational innovations and the diffusion of certain pre-selected innovations. Support and incentives for the testing of new ideas and the development of new products or services is largely or completely missing on the other side.

Co-operation and collaboration are widely recognised as important impulses and sources for innovations. The systemic approach to innovation puts the interaction of actors and institutions, exchange of knowledge and learning in the centre of innovation processes. Policy may therefore foster innovation indirectly through promoting the interaction of actors within a sector and across sectors. Co-operations in forestry are especially important as the average forest holding is rather small and thus often lacks the capacity to innovate. Further, a range of innovations for forestry includes other sectors' activities, for example tourism. Within the category 'support for co-operation, again surprisingly, most support measures seem to go to support for co-operation across sectors while co-operation between forest holdings is at the end of the list. Experiences within the EFI PC INNOFORCE network however have shown that co-operation across sectors is rather lacking in forestry.

Innovation is understood to be a process based on learning. The skills, capacities and knowledge of forest owners and managers, employees and others determine the ability of forest holdings and the sector to innovate. Policy thus can influence the sectors' innovation propensity by strengthening the development of human resources. Within this category integrating innovation in extension services is the most widely supported strategy, followed by the integration of innovation in general education and strengthening of further training.

While forest owners' associations generally support fewer projects, the order of support measures does not differ considerably from that of forestry administrations. Generally, within both respondents groups – forestry administrations and forest owners' associations – more support measures to foster private sector innovation activities are offered in countries with a market tradition than in countries with economies in transition. This fact confirms the impression that innovation is less integrated in national forest policy in countries with economies in transition than in countries with a longer market tradition.

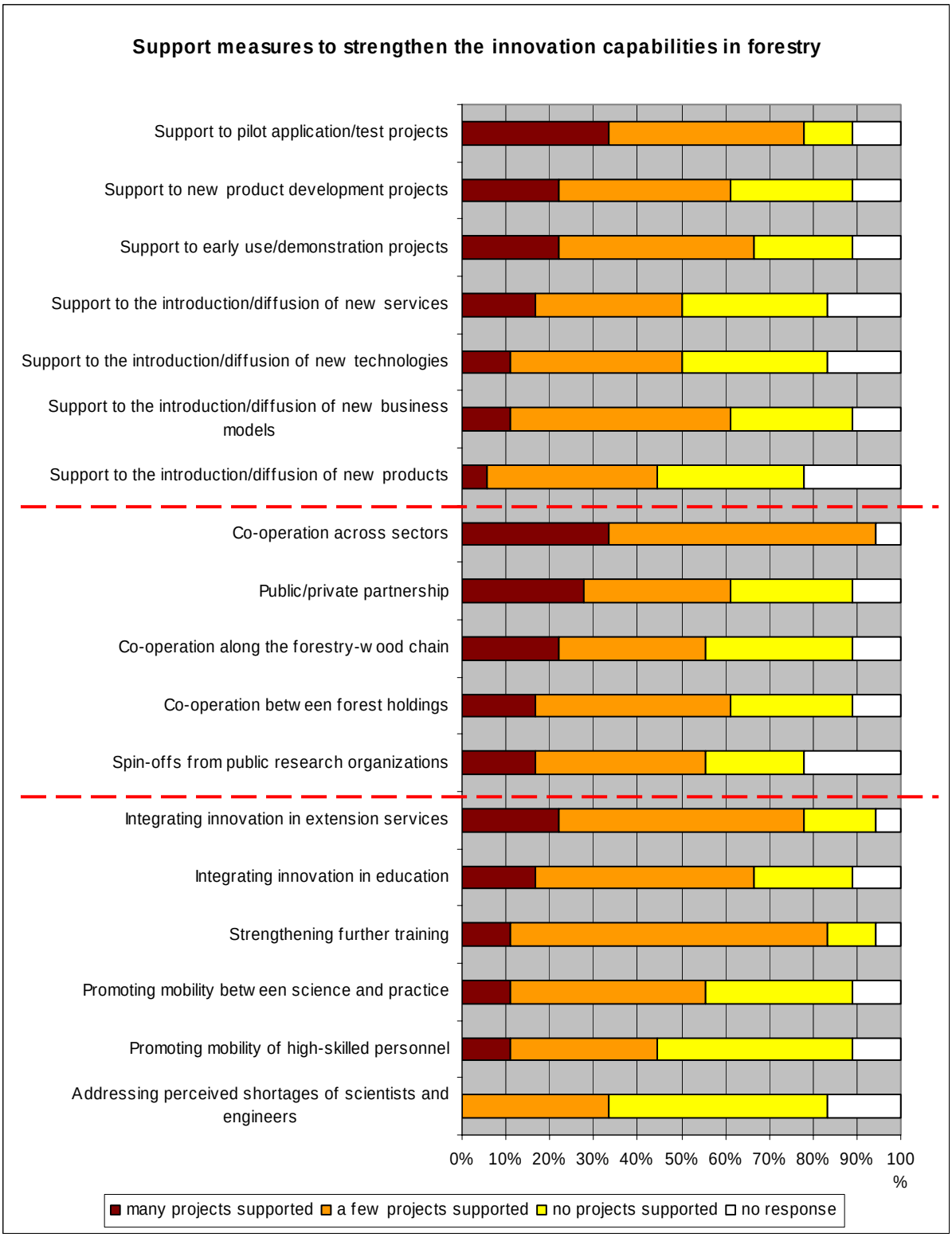

Figure 3. Support measures to strengthen the innovativeness of forestry - forestry administration.

Lack of financial resources is most impeding for the integration of innovation

But when innovation is recognised as being important what hampers a more comprehensive integration of innovation in national forest policy and the work of forest owners' associations? The most impeding factor for both – forest administrations and forest owners' associations – seems to be the lack of financial resources, followed by the lack of high-level policy

commitment (see Figure 3). The lack of financial resources can also be explained by the lack of high-level policy commitment for innovations in forestry (the second most impeding factor). When innovation is not regarded as an important object of policy, it is obvious that financial resources will be allocated to objects that are considered to be more important. Other impeding factors identified by respondents are unclear, unspecific or not consistent goals related to innovations in forestry, lack of competencies, lack of a coherent vision and the lack of the visibility of innovation issues. Not having a common understanding on what innovation in forestry is, and what should be promoted seems to be a quite effective hindering factor. Generally more impediments are identified by respondents from countries with economies in transition.

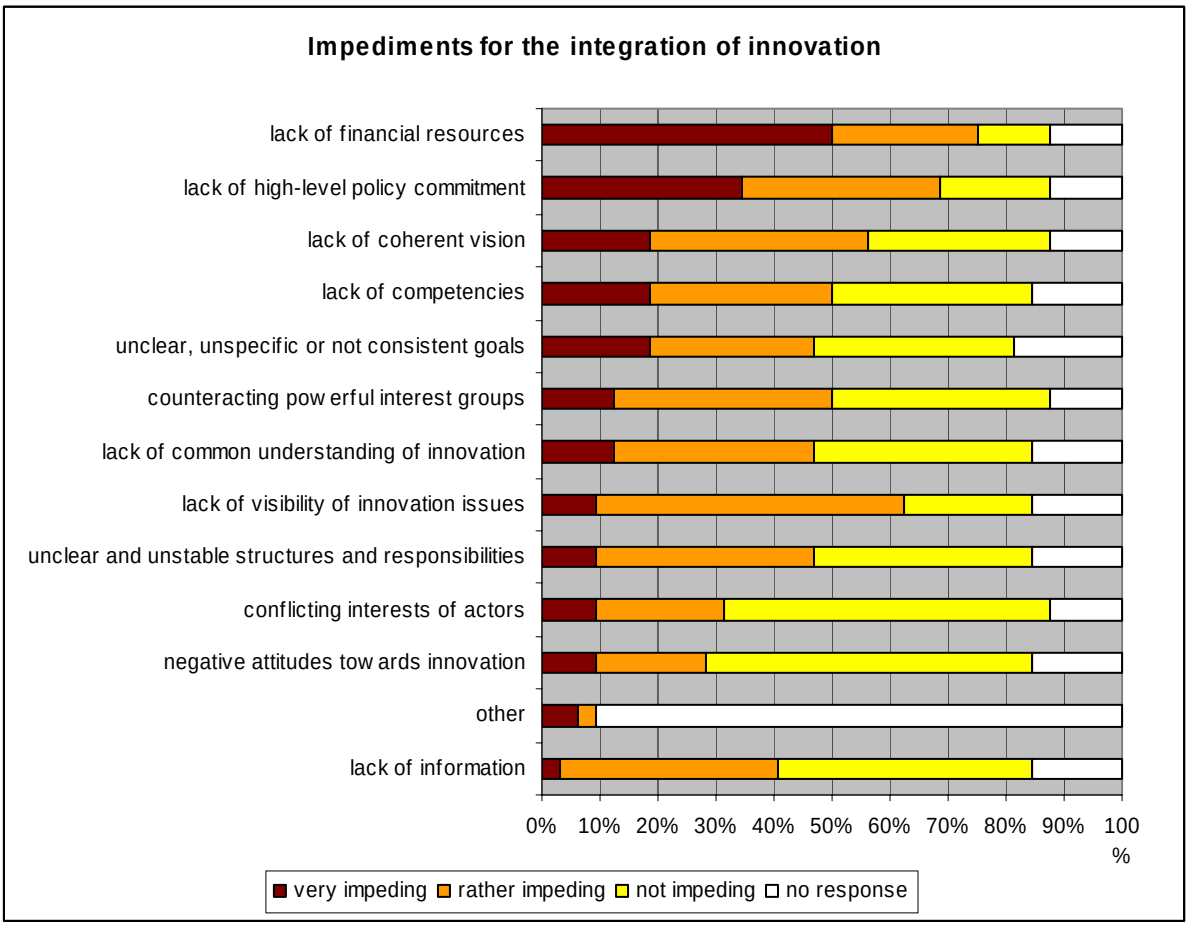

Figure 4. Impediments for the integration of innovation – forestry administration and forest owners' associations combined

What are the most important areas for innovations?

The role of actors and institutions in innovation processes is to ensure favourable frame conditions and thus facilitate innovations. Overall innovation policy measures should provide support and frame conditions that allow forest owners and managers to develop and test new ideas. But also the introduction and diffusion of new products and processes should be facilitated. It is therefore crucial that forest owners and managers have an idea on which innovations are going on and will possibly be important for the development of the sector. Foresight studies or processes might thus be an element of active and flexible innovation support.

Figure 5 and 6 show the combined rating of the importance of areas of innovation by forestry administrations and forest owners' associations. The most important areas for innovations in goods and services are considered to be wood for bio-energy and environmental services (see Figure 4). When looking at the areas for process innovations, organisational innovations dominate the picture (see Figure 5). Both, the co-operation between forest owners and the co-operation along the forestry wood chain are given equally high importance by the respondents. The most important technological innovation is the use of information technology in forestry.

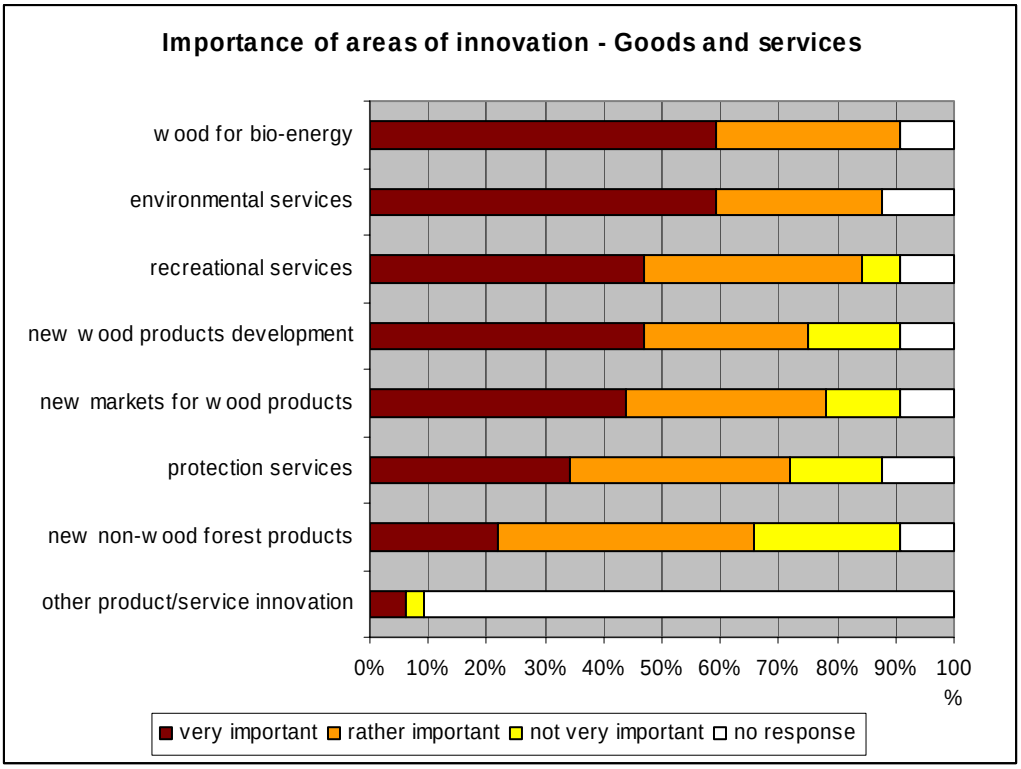

Figure 5. Importance of areas of innovation - Goods and services - forestry administration and forest owners' associations combined

The order of the areas of innovation does not differ much between forestry administrations and forest owners' associations. While for forestry administrations environmental services are the most important product innovation, forest owners' associations assess wood for bio-energy highest. For forestry administrations the cooperation between forest owners and the cooperation along the forestry-wood chain are the most important process innovations, for forest owners' associations the marketing of wood is most important.

Differences become visible when differentiating between countries with a longer market tradition and countries with economies in transition. While in countries with a longer market tradition environmental services are clearly ranked highest (over 70% stated that it is very important) by forestry administrations, forest owners' associations in this country group assess this area less important compared to other areas. For them wood for bio-energy clearly ranks highest. Within process innovations forest owners' associations in countries with longer market tradition regard marketing of wood as highly important while forestry administrations see this area at the end of the list. In countries with economies in transition, in contrast, forest owners' associations rank environmental services much higher than forestry administrations do.

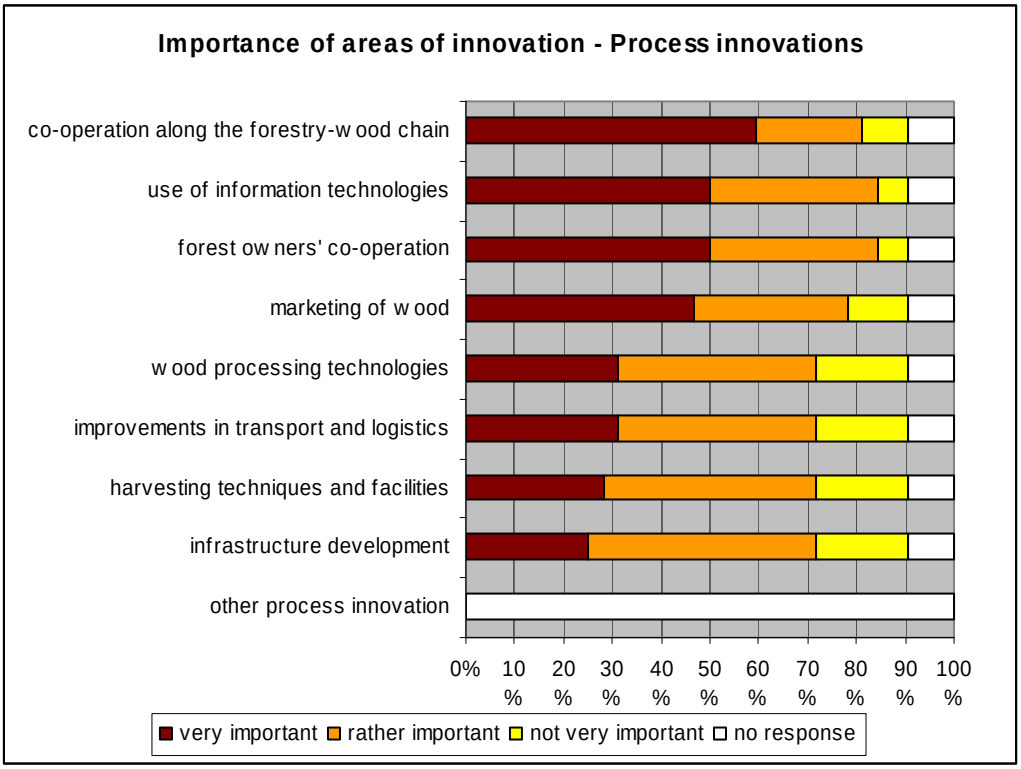

Figure 6. Importance of areas of innovation - Process innovations - forestry administration and forest owners' associations combined

While environmental services are regarded as a highly important area for innovations in forestry by many respondents, institutional support for developing markets for environmental services is largely missing. Forestry interest groups and other actors are rather focused on averting demands for services that are free of charge than actively supporting new developments. Further, scepticism regarding the market opportunities for environmental services prevails among forestry actors. Finally, there is a lack of trust between the relevant actors in forestry regarding environmental services. These factors result in the situation that while environmental services are stated to be very important, only few activities are undertaken to develop the market.

Concluding remarks

Innovation and investments into research and development, notably of new products and processes, is crucial for rural development, including the economic viability and competitiveness of the forest sector. However, adequate institutions, structures and support to foster innovations and increase investments in forestry is largely lacking in countries across Europe.

Generally, we find more recognition and support for innovations by forest policy in countries with a longer market tradition, while in countries with economies in transition the importance may be recognised but hardly any political action is taken.

For a range of forest owners' associations innovation seems to be of no issue or only a rather peripheral one. For forest owners' associations in countries with economies in transition other issues are by far more important, first and foremost the establishment of strong forest owners'

associations. But also in countries with longer market tradition, forest owners' associations may only play a minor role in the forestry innovation system as the following citation shows:

While attention for innovation in forestry has increased during the last years on national as well as international level (MCPFE – Vienna Resolution 2, UNECE/FAO – European Forest Sector Outlook Study, EU- Forest-based Sector Technology Platform initiative), the challenge for forest policy and stakeholders is now to offer adequate support and incentives to establish a well functioning policy and institutional framework that is open for new ideas. The better co-ordination of various policy areas and sectors with the forestry sector is one crucial action.

The new EU rural development policy 2007–2013 explicitly addresses innovation and restructuring needs in farming and forestry activities. A major link is made to the main EU priorities – the Lisbon Strategy and the Göteborg Strategy. It now depends on the national implementation how these strategies are realized in order to contribute to diversification, competitiveness and employment in rural areas.

The sixth Ministerial Conference on the Protection of Forests in Europe in 2007/2008 would provide a further platform to establish innovation and investment as core issues for the discussion on the economic development of forestry in Europe. Note that lack of high political commitment is identified to be one of the most important impeding factors for developing innovation policies that work.

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Fostering Innovations Through the Forest Technology Platform

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The Forest-Based Sector Technology Platform (FTP) represents a step into a new era for the sector – an era that will build a more knowledge-based, more customer focused and more innovation oriented industry. At the same time, the sector aims at developing the economic and social benefits it provides today, while seeking continuous improvement in terms of sustainability.

The FTP Strategic Research Agenda (SRA), finalised in February 2006, is aimed at realising the vision for 2030 that was adopted in February 2005. This vision includes increasing the competitiveness of Europe by developing innovative products and services and to ensure the perpetuity of renewable forest resources as the basis for meeting the multi-functional needs of society, including a range of sustainable processes, products, services and other benefits for individual consumers and other users.

Effectively, more than 1,000 forest-based sector representatives in some 20 European countries were actively engaged in the SRA-making process, which generated the pool of more then 700 proposals later condensed into the final SRA document.

The sector's prime asset is the renewable nature of its raw material – wood. Fabricated by nature using carbon dioxide and water, this resource can be used for a variety of products and services, as well as for energy. The amazing properties of wood mean that today there is probably no other major industry that positively influences the daily life of Europe's citizens as broadly as the forest-based sector.

In order to link the platform with its wide scope to the national levels, National Support Groups (NSG), are set up serving as dual communication channels. The NSGs shall typically comprise representatives of the forest-based sector, including research and representatives of national financing and governmental bodies. Today, some 18 NSGs have been set up and some additional NSG are under set-up.

The FTP initiative puts innovation high on the sector's agenda. The starting point often involves gaining insights into customer and consumer needs, which provides inspiration and focus for the process. Here, the forest-based sector can improve and the FTP should serve as a catalyst.

There is also clear evidence that interactions between commercial actors and the research community generate knowledge and inspire innovations. Again, the implementation of the SRA will be important in fostering cooperation and interaction via joint projects between universities, institutes, industry and other commercial actors. Such projects provide for risk sharing, good leverage on resources and access to a wide range of competencies and emerging technologies. This interaction during the implementation phase will be an essential component in enhancing innovation in the sector.

The implantation of the SRA will be designed to facilitate rapid commercialisation of new ideas. This will be achieved by engaging industry early in the innovation process and by securing its continued involvement.

Not all innovation originates from research of course, but also from developments that do require substantial investment before they translate into products accepted in the market place. This means that the FTP must help to mobilise the necessary risk capital to develop and demonstrate the concepts.

All activities indicated above will improve the climate for innovation within the sector. www.forestplatform.org gives more information about FTP and its SRA.

Integrated Rural Development as Pathway for Innovations – An Unexploited Potential for Forestry

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Abstract
In this paper we argue that 'Integrated Rural Development' (IRD) may serve as a facilitating political framework for innovations in rural areas, which opens up windows of opportunity for forest related activities and unexploited forestry potentials.

Rural development issues have been on the policy agenda for many years. However, a lack of sufficient impact of traditional sectoral policies addressing rural areas as well as decreasing public funds and the demand for sustainability triggered a shift towards more integrated and multifunctional policies. In this paper IRD is presented as an approach, which implies a wide understanding of rural development, especially of the role of agriculture and forestry as being multifunctional. For implementing IRD, concepts of Regional Governance are suggested, in which hierarchical incentives are supplemented by regional self-coordination and network-steering amongst regional actors. In an empirical section we analyse German rural development policies with regard to whether IRD is being facilitated by means of Regional Governance. Furthermore, we identify conditions under which IRD policies may be most successful. We subsequently present successful cases where forestry contributed to rural development within the German implementation of the EU Community Initiative LEADER+. The examples show that participation of forestry in LEADER+ may create innovative opportunities for the forest-based sector. Regarding forestry actors we highlight that not every cooperation under IRD programmes per se is beneficial. The importance of judging the potential of forestry actors within regional IRD processes is being stressed. We conclude our discourse with recommendations for both, policy-makers and regional forestry actors on how to cope with new challenges attributed to integrated policies in general and IRD policies in particular.

Keywords: Integrated Rural Development, Regional Governance, Success Factor Approach, LEADER+ and forestry.

1. Introduction

Issues of sustainable rural development have been high on the political agenda for quite some time. With over half of the population of the EU-25 living in rural areas covering 90 % of the territory, rural development policy must be seen as a priority area.(Agenda 21, 14.6; EU Commission 2004a, 20). Out-migration and non-viable age structures, lack of alternative employment as well as poor access to public services are only some of the problems rural areas are facing (EU Commission 2004b). Lacking impact of traditional, mono-sectoral policy approaches led to more integrated and regionalised policies, addressing rural problems. Integrated Rural Development (IRD) approaches are becoming more prominent, in order to overcome the shortcomings of former policy. However, ORTNER finds that despite a high potential, the forest-based sector abstains from actively participating in IRD programmes. He concludes that forestry actors and owners do not tap the full potential of such cooperation (Ortner 2004). Figure 1 identifies a gap between forestry potential and actual participation under the EU programme LEADER+.

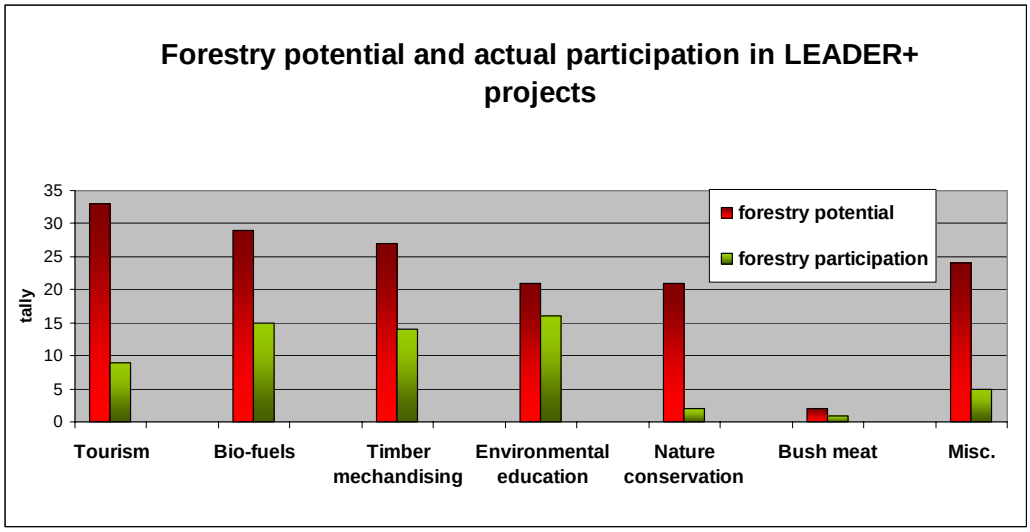

Figure 1. Forestry potential and participation in German LEADER+ projects by disciplines; c.f. Ortner (2004).

In this paper we will address 3 questions: (i) how to promote innovations and development in rural areas through means of IRD policy; (ii) what are the factors of success for Integrated Rural Development policies and (iii) how may forestry actors benefit more from Integrated Rural Development programmes. We commence with a theoretical reflection upon the concept of IRD and present Regional Governance as a way of facilitating this concept. In an empirical part we study to which extent IRD has been taken up by German rural development policies. A subsequent discourse on success factors identifies conditions under which IRD may be most successful. Subsequently, empirical examples of successful forestry cooperation within the EU LEADER+ programme are presented. The materials also reveal success factors of IRD which are most important in the context of forestry. We conclude our discourse with recommendations for policy-makers as well as regional forestry actors and owners on how to cope with new challenges attributed to IRD policies.

2. Integrated Rural Development

2.1. The concept of IRD

For some time now the concept of "Integrated Rural Development" has been widely discussed as promising approach in achieving sustainable development of rural areas in Europe. Classical approaches of funding regions by merely spreading subsidies among different relevant sectors (agriculture, forestry, nature conservation, etc) are widely regarded as not being effective and efficient anymore. The specific endogenous and cross-sectoral potentials of rural regions and its utilization are seen as essential for the development of region-specific approaches to regional development (van der Ploeg et al 2000). Rural development policy should incite the local and regional actors to help themselves. In such concepts a region is no longer determined by its administrative or geographical borders but by its whole functions as a region for forestry, for tourism, for nature protection, or intensive as well as organic farming. The building up of networks and cooperation between all relevant actors within a rural region represents the organising principle of Integrated Rural Development: rural partnerships have to devise and organise their specific development process in an individual and democratic manner (Ray 2000; Moseley 2003). Table 1 shows key characteristics of Integrated Rural Development.

The main organising principles of Integrated Rural Development are a multifunctional understanding of the role of different sectors in rural areas (i.e. agriculture as relevant for food production as well as for nature conservation) and a general cross-sector approach (different sectors shall build up cooperation in order to establish win-win coalitions for example between forestry and tourism). The whole development process should be organised in a collaborative approach between rural actors, who build partnerships and formulate individual strategies for the development of their regions. Integrated Rural Development is also conceptualised as long-term approach. Development strategies are rather oriented towards facilitating long-term effects than just achieving short term goals such as the quick creation of outputs like new jobs which are highly dependent on the flow of subsidies. For the concept it is important that the whole process is being further developed by external evaluation and the evaluation of the regional actors themselves at regular intervals. Within Integrated Rural Development a new understanding of the role of agriculture and forestry as serving multi-functional purposes in rural areas can be observed.

Table 1: Characteristics of Integrated Rural Development; c.f. Böcher (2005a).

What is integrated rural development?	
Region-specific approach	Looks at regions rather than individual sectors
Cross-sector approach	Focused on synergies between different areas of government and industry
Partnership approach	People form partnerships, set up and implement joint programmes
Dynamic approach	The process is continually evaluated and further developed by the network of actors
Long-term approach	Focused on medium and long-term potentials

2.2. IRD as a facilitating framework for innovations in rural areas

The concept of Integrated Rural Development has also to be understood as an idea of how to facilitate innovations in rural areas. In 1939 Schumpeter already argued that the key process for economic change and development is the introduction of innovation which is facilitated by combining existing production factors in a new way (Schumpeter 1939, 88; McDaniel 2000, 278). Within the concept of Integrated Rural Development the process of innovation is not limited to economic product innovations within enterprises. Innovation is rather understood as a process, which contains organizational and/or technological innovations that not necessarily have to be just economic goods (see Rametsteiner and Kubetzcko 2003). Innovation within the concept of Integrated Rural Development can mean that one region is able to produce goods or services better than other regions – here the aspect of competition between different regions (no longer competition merely among different enterprises or sectors) plays an important role. Another meaning would be that through an innovative cross-sectoral cooperation new services or goods can be produced which would not have been able to be produced without the innovative cooperation. Provided that the cooperation among forestry, agriculture and tourism creates an innovative service for tourists in rural regions, this process can be understood as innovation, which refers to the concept of Integrated Rural Development. Integrated Rural Development aims at finding such new innovative cooperation as well as strengthening a region in comparison with others. Consequently, Integrated Rural

Development has also to be understood as a facilitating framework for innovations in rural areas.

2.3. Governance for Integrated Rural Development

The concept of Integrated Rural Development also reflects the current scientific discussion on new forms of Regional Governance. It highlights the importance of regional cooperation and networks as preconditions for successful regional development, stimulating policy-learning of regional actors (Benz et al., 2000; Benz and Fürst, 2002). Analogous to other fields of politics, this increased use of the term "governance" goes hand in hand with the realisation, that earlier political coordination procedures are no longer able to adequately solve regional problem situations under altered general conditions. Fürst gives globalisation, the rise of the neo-liberal paradigm, the state's financial crisis and the increasing meticulous organisation of society combined with the corresponding fragmentation of societal coordination as examples of such altered general conditions (Fürst 2004, 46). One especially observes the limits of state-hierarchical intervention abilities within regional policy. Müller points out that structural regional particularities locally can hardly ever be coordinated "from above", neither by regulatory nor be financial means (Müller, 1998). This diagnosis recently has become much clearer due to the more heated public debate about the problems caused by the development of former East Germany or the development of Eastern European rural areas within the process of EU-enlargement. So what does Regional Governance actually mean? It is important for the further discussion to emphasize that Regional Governance nowadays is used in normative as well as analytical ways. The concept suggests supplementing hierarchical steering not only with market mechanisms, but also with horizontal and cooperative modes of coordination. Consequently, it may be interpreted as new understanding of a modern form of regional policy. Table 2 illustrates characteristics of Regional Governance (see Benz/Fürst, 2003; Löwis/Wiechmann/Müller, 2005, 16 ff.; Fürst, 2004; Diller, 2004; Knieling, 2004 as well as Böcher, 2003 and Böcher, 2005b).

Regional Governance as a concept is highly discussed in political science and as a blueprint in concepts on Integrated Rural Development. However, it is still in question if the characteristics described by the concept are represented by actual rural developmental policies. In the subsequent chapter we take a look into current policies for rural development against the background of its implementation in Germany.

Table 2: Characteristics of Regional Governance; c.f. Böcher (2005b).

Characteristics of Regional Governance	
Increase in significance of the region as a level of political coordination	• De-central self coordination • Free will principle • Use of endogenous potentials
Replacement of the territorial principle by the functional principle	• „Region" determined by density of social relations • Function of a region is central, not (just) geographical or administrative delimitation
Inter-sectoral cooperation through weakly institutionalised regional	• Networks and cooperation through private and public actors • Joint visions

networks and partnerships.	• Elaboration of regional development concepts • Inter-sectoral collaboration
Steering of incentives through various instruments and forms	• Competition as an instrument to identify and support „best practices“ • Financial incentives through funds with preconditions • Steering through regional management as organizational core • Increase of the importance of evaluations

3. IRD in German policies

The present chapter aims at empirically analysing to which extent elements of IRD have been taken up by German rural development policies. In addition, we will examine to what degree aspects of the Regional Governance approach are abundant within these political programmes as governance means for facilitating the endeavour of IRD.

The empirical material used for the present analysis has been compiled in conjunction with a research project called *"GoFOR- New Modes of Governance for Sustainable Forestry in Europe".*[1] Other results are based on empirical findings of an earlier study by Böcher (2005b). Document analyses as well as expert interviews have been employed for the collection of data.

3.1. Identification of IRD related policies in Germany

In the German context a wide range of policies exists at EU, national and sub-national (= Laender) levels, which have implications for rural development. However, here we will merely focus on national and EU-level policies stemming from the agricultural realm and directly relating to the philosophy of IRD.

At the EU level we identified two policies as being relevant in the light of IRD. Firstly, the EU Rural Development Regulation (RDR), consisting of EC regulation 1257/99, which has recently been replaced by Regulation EC 1698/2005, was taken into account. Secondly, as a structural measure, the Community Initiative LEADER+ comprises aspects which lie within our research focus. Its approach is characterised by high levels of local stakeholder and community involvement, by partnership and cooperation, and by the encouragement of innovative approaches to rural development (Land Use Policy Group 2005, 5). At the national level two policies with vital importance as regards IRD have been identified. Firstly, the national Joint Task "Improvement of Agricultural Structures and Coastal Protection" (GAK, German acronym) plays a key role in rural development issues. It provides for a national framework, based upon which the different Laender design more specific rural development programmes. The GAK also serves as national framework plan for selected measures of the RDR and provides support through co-financing Laender programmes.[2] In 2004, the introduction of the new funding principle "Integrated Rural Development" made essential

1 The GoFOR research project involves partners from 10 European countries in studying governance approaches in forestry. It is coordinated by the BOKU University, Vienna and financed within the 5th Framework Programme of the EU Commission.

2 Constitutionally, only measures having implications for agricultural structures and coastal protection may be considered under the federal GAK-policy (see UFZ 2005, 9)

elements of the concept part of the policy.[3] Measures included in the GAK are eligible for national co-financing. However, they are subject of further specifications in Laender policies. As a second programme, the pilot project "REGIONEN AKTIV", launched by the Federal Ministry for Food, Agriculture and Consumer Protection (BMELV, German acronym) in 2001, will also be considered here. Similar to LEADER+, it also serves for testing and demonstrating integrated approaches to rural development. In our analysis REGIONEN AKTIV as well as LEADER+ are considered as pilot programmes, whereas the GAK including the EU RDR is referred to as mainstream policy.

3.2. IRD in selected rural development policies

LEADER+ as well as REGIONEN AKTIV both take a region-specific approach to rural development. Through funding perspectives both programmes encourage regionally managed, so-called integrated 'bottom-up' development processes in rural areas (Land Use Policy Group 2005, 5; BMELV 2004, 12f). In such processes regional actors, who themselves are engaged in the process, define "their" region according to subjective criteria and based upon socially negotiated regional identities. The delineation of a region and its acknowledgement under both programmes do not necessarily coincide with administrative boundaries (Böcher, 2001; EU Commission 2000, 7). In both cases a partnership approach is being encouraged. Networks of regional actors are functioning as central decision-making bodies within the regional development initiative. In both programmes such networks are beneficiaries, who autonomously decide upon the allocation of financial resources provided by the central authorities (EU Commission 2000, 7; BMELV 2002, 8). Both, LEADER+ as well as REGIONEN AKTIV require substantive participation of non-state actors within these decision-making bodies.[4] Such public-private partnership networks are supposed to guide the whole development process from common agenda-setting to planning, implementation and even evaluation (EU Commission 2003, 14; Deutscher Bundestag 2005a, 52). In order to safeguard a strategic development process, both pilot policies encourage the elaboration of so-called Integrated Rural Development strategies by the regional networks. They must be integrated, in the sense that they adopt a global approach based on the interaction between actors, sectors and projects (BMVEL 2002, 6; EU Commission, 2000, 8). This procedure highlights the significance of cross-sectoral approaches at the implementation level in both programmes. A dynamic approach is taken, as evaluation exercises are central features of LEADER+ as well as REGIONEN AKTIV. The latter employs external and internal self-evaluations at the implementation level for continuously improving analytical skills of regional actors (BMVEL 2002, 9). Under LEADER+, however, external evaluations are used rather at the programming level, intending to further develop policy over time (EU Commission 2002, 5,8). Finally, both programmes aim at achieving long-term effects and utilise regional long-term potentials by funding of both, Regional Management as organisational core as well as for regional networks for the runtime of the programmes (approx. 5 years).

Recent amendments of the GAK suggest a growing significance of IRD also within the national mainstream policy. A 2004 revision of the GAK resulted in the uptake of the new funding principle "IRD", under which two novel measures were established. Firstly, the elaboration of Integrated Rural Development strategies amongst a wide range of rural stakeholders in individual regions is now eligible for GAK funding. Secondly, the set up of a so-called "Regional Management" can be supported under the regime (Deutscher Bundestag

3 The GAK does not address rural development issues only, but mainly structural issues and can be best described as multifunctional policy (UFZ 2005).

4 Within the frame of LEADER+ private actors must make up at least 50% of local partnerships (EU Commission 2000, 7), whereas REGIONEN AKTIV does not make specifications (Böcher 2005b, 10).

2005b, 12).[5] Both measures highlight the increased significance of individual regions and genuine development approaches within these. In addition, they also reflect a partnership-oriented approach, as both instruments aim at facilitating negotiation processes among diverse actors and foster collective action. However, the GAK does not explicitly call for an inter-sectoral approach for the elaboration of commonly agreed development strategies. Furthermore, the 2004 amendments do not address issues such as continuous process improvement, mandatory evaluations or regional impact assessment. Thus, a dynamic learning perspective on regional development processes is not being encouraged. The long-term alignments of development processes as well as the long-term potentials of the regions on the one hand are being facilitated through Regional Management as enduring core of the development process. On the other hand, however, the one-shot character of funding the elaboration of a development strategy contradicts this approach.

3.3. Regional Governance to achieve IRD

Table 3: Regional Governance in IRD policies.
(+ policy aligns with aspects of Regional Governance; -- does not align, even constraints Regional Governance; n.s. not specified in GAK framework)

Aspects of Regional Governance	**Pilot policies (c.f. Böcher 2005b)**		**Mainstream policy**
	REGIONEN AKTIV	**LEADER+**	**GAK** (IRD section)
Significance of regions as level of political coordination			
De-central self-coordination	+	+	--
Free-will principle	+	+	+
Use of endogenous potentials	+	+	--
Replacement of the territorial principle by the functional principle			
„Region“ determined by density of social relations	+	+	n.s.
Function of a region is central, not (just) geographical or administrative delimitation	+	+	+
Inter-sectoral cooperation through weakly institutionalised regional networks and partnerships			
Networks and cooperation through private and public actors	+	+	n.s.
Joint visions	+	+	n.s.
Elaboration of regional development concepts	+	+	+
Inter-sectoral collaboration	+	+	n.s.
Steering of incentives through various instruments and forms			
Competition as instrument to identify and support „best practices“	+	+	--
Financial incentives through funds with preconditions	+	+	n.s.
Steering through regional management as organizational core	+	+	+
Increase of the importance of evaluations	+	+	--

Böcher finds that LEADER+ as well as REGIONEN AKTIV both reflect all key aspects of Regional Governance (Böcher 2005b, 13). Therefore, we now will only highlight important differences between pilot and mainstream policies as well as shortcomings of the GAK as

5 In the context of IRD „Regional Management“ refers to a facility, where professional staff is taking on information, communication and facilitation responsibilities within a regional development initiative.

concerns Regional Governance aspects (Table 3). Within the GAK some aspects of Regional Governance are either not addressed explicitly (see Table 3 "n.s.") or are even constrained by the regime (see Table 3 "--"). In the former case, such aspects are likely to be addressed in subsequent Laender policies (Augustin 2006). However, within the GAK four lacking aspects of Regional Governance have been identified, which inhibit it from effective functioning (Augustin 2006; Deutscher Bundestag 2005b). Continuous de-centralised self-coordination is being obstructed by the GAK regime, since common decision-making and collective action is only funded in the initial phase of a development process. Likewise, the lack of institutionalised fora for continuous discussion and decision-making leads to an under-utilisation of endogenous potentials over time. Thirdly, GAK support for IRD does not take a competition approach. Again, this may cause respective regional actors not to unfold their full potentials of performance. Finally, the issue of evaluations does not yet play a meaningful role under the regime, which again narrows opportunities for learning and reflexivity.

3.4. Critical assessment in the light of innovations

It becomes obvious, that in both pilot programmes the concept of IRD is well and comprehensively integrated into policy. This partly holds true for the national mainstream policy, where only selected IRD features have been realised. It is likely that Laender, who build upon the GAK framework, add such IRD aspects to their programmes. Still, the GAK does not provide for a comprehensive integrated approach to rural development. It consequently foregoes the innovative potential of continuously institutionalised regional networks, external evaluations as well as internal self-assessments, as applied under the pilot plans.

The fragmented appearance of Regional Governance elements within the GAK may not lead to optimal results. Especially issues such as self-coordination, competition and evaluations can be assumed to have a high potential regarding creativity and reflexivity within regional processes. These matters must be seen as essential parts in innovation policy and should not be left out. However, until the 2004 amendments no such approaches could be identified within the GAK at all. Hence, we can observe a clear trend towards IRD and Regional Governance approaches in German policies in support of rural development.

We have empirically shown the appearance of the IRD concept as well as the application of Regional Governance mechanisms at the programmatic level of relevant policies. However, based on our data we can not predict whether conditions are favourable for a thriving application of the concept. Consequently, in the following chapter we will present factors, which are crucial in setting the scene for a successful performance of IRD in practice.

4. Success factors of IRD and cooperative forest policy

4.1. Background to the Success Factor Approach

The question which factors are responsible for the success of cooperative policy processes has a long tradition in policy evaluation. In response to measurement failures of traditional evaluation methods which normally follow linear input-output models at the beginning of the 1990s, new approaches and instruments were developed in regional policy research. They focus on e.g. the exploration of complex policy processes, on the involvement of stakeholders and addressees, and on the consolidation of cooperation (Sedlacek 2004, 11–26; Benz and Fürst 2002).

The Success Factor Approach (SFA), as a tool for evaluating complex governance processes, aims to contribute to this discussion. The crucial question is how regional partnerships initialize regional development processes, continue cooperation and realise long-term and sustainable outcomes in spite of existing conflicts and obstacles. The main objective is to identify central determinants of success of regional cooperation (partnerships) in the framework of IRD. Such procedural and institutional success factors are not used for assessing the success of measures (outputs or outcomes), but for the identification of conditions and causes, which lead to success of cooperative processes in regional development (Böcher and Tränkner 2005). Consequently, the success factors of cooperative regional development are strategic indicators for the quality of regional development processes and hence may serve as a tool for policy evaluation and policy advice.

From a political scientists view, rural development partnerships are policy networks on a regional level. A policy network, consisting of actors from different social sectors, can be defined as a negotiation system, because negotiation is the dominant modus of decision making and problem solving in actors networks within a framework of institutions (Scharpf 1993). In spite of multi-causality and multi-dimensionality of influence factors and their different contribution to success it is supposed, that success of regional partnerships is reducible to a manageable number of central success factors (Böcher 2001, 12; Hoffmann 1986).

For policy evaluation, the path to cooperation and the successful consolidation are the most important research objectives. According to this, practical indicators have to be identified which measure the value of success factors based on empirically verified theories (Böcher 2002). Depending on the concrete context, an adequate heuristic reference framework has to be designed in which an appropriate set of theories and indicators have to be integrated for measurement of success factors. In this regard the actor-centered-institutionalism has to be tested as suitable reference frame. It integrates both theories of institution, describing the framework, and theory of individual and organisational action. According to this scholar, actions of actors are not pre-determined, but influenced by the institutional framework they are embedded in. Therefore success factors depend on institutional framework, on negotiation and on both, actors as well as their interactions. Thus success factors preliminary can be divided into procedural factors of action and institutional factors. Procedural factors may be directly influenced, while factors of institution may not or only indirectly be influenced by actors of a partnership (Scharpf2000).

Regional development is characterised by high complexity and no sole theory is available specialised on cooperative regional policy. Therefore a set of theories from political science and sociology is needed. In the case of regional partnerships acting in institutional framework theories e.g. social network theory, negotiation theory, organisation theory and institution theory are used for building the theoretical background. The research design follows the interpretative paradigm and aims to picture the complexity of political processes of regional partnerships. Interpretative case studies, in depth analysis and success stories are used for identifying success factors (Brendle and Krott 1999; Lijphart 1971).

4.2. Success factors of IRD

The success factors mentioned in Table 4 are being used as the analytical matrix for evaluating Integrated Rural Development processes. Originally, the Success Factor Approach was developed for analysing the driving political forces behind the success of nature conservation projects. These factors were further adopted for analysing the general political conditions in the field of integrated rural policy in the frame of the EU initiative for rural

development (LEADER+). Recently, these success factors were further specified for the evaluation of integrated policy processes of 18 regional partnerships participating in the German funding program REGIONEN AKTIV (Brendle and Krott 1999; Böcher 2001; Böcher and Tränkner 2005; Böcher (2006).

Table 4: Success factors for IRD

Success factor	Explanation
Need for action and willingness to solution	Certain pressure of problems is necessary to stimulate collective action. Commonly perceived problems can be transformed into solutions, if actors are willing to work together.
Visions and Integrated Rural Development Concept	Common visions and goals discussed in a broad circle of actors and fixed in an integrated regional development concept are guidelines of action for partnerships and reduce the number of possible choices of actions to a feasible and realistic level.
Opportunities of linkage and manageable project structures	Transactions costs decrease and chances for realization increase, if structures of projects are transparent and comprehensible and if number of actors involved as well as number of themes in process are limited. Success for regional development processes increases, if the process ties up with existing structures in the region or existing funding programs.
Win-win situations and coalitions	Tracing of Win-win-coalitions is one important condition of success. Actors are only willing to cooperate if there are more benefits to be drawn from the cooperation than without it.
Marketing of fast success	Actors are motivated, sceptics are convinced and acceptance is stimulated inside and outside the partnership by achieving fast partial success and its effective communication and marketing.
Policy-learning and exchange of knowledge	Exchange of information inside and among partnerships is important for building trust, for initiating learning processes and stimulating innovation. A common base of knowledge and trust is a condition to consensus oriented negotiations and to overcome conflicts. Self-evaluation is a useful instrument for self-reflection and helps to adjust regional development strategies.
Transparency, Openness, Flexibility	Regional cooperation is not formally legitimized. Continuous transparency and openness are necessary prerequisites for acceptance. Structures and processes have to be comprehensible, flexible as well as open for interested outsiders.
Promoters as policy entrepreneurs	Policy entrepreneurs e.g. advocate for innovations, broker the ideas among the many policy actors and mobilize public opinion. Promoters invest personal costs for pushing the process and play a crucial role in the initial phase of cooperation regarding mobilization, integration and conviction of potential participants.
Powerful interceders and allies	Powerful and influential interceders and partners, such as local or regional politicians or entrepreneurs with financial,

	personal, informational or political resources, are important to support regional development initiatives.
Broad participation	Regional cooperation is based on actor networks. Higher legitimization and acceptance is attained and the evolution of exclusive elites can be prevented, if actors of different sectors have a fair chance to participate.
Competent Process management	Competent process management means to develop adequate regional development strategies and a foresighted view on situations in change. It requires flexibility, willingness to compromise and learning aptitude, social and communicative skills.
Sufficient/adequate resources	Especially in the initial phase of cooperation actors taking part in regional cooperation need sufficient amounts of resources regarding time and money , information and voluntary engagement.
Subsidiary and cooperative program implementation	Partnerships act in the shadow of hierarchy. This means, state authorities define the global context (e.g. memorandum of understanding, management by objectives), act as mediator and facilitate networking at the regional level.

We presented the SFA as a promising means for policy evaluation in the field of IRD. As a tool, the approach is capable of identifying major aspects to be considered and addressed by policies in order to set the scene for a successful performance of IRD in practice. If applied for forest policy analysis, certain success factors become less relevant, while others gain momentum. The subsequent chapter presents empirical examples on the potentials of forest-related innovations within IRD policies. The German implementation of LEADER+ as a facilitating framework for innovative forestry projects has been chosen to practically illustrate the importance of certain factors of success in the field of forestry.

5. IRD as an opportunity for forestry[6]

5.1. LEADER+ and the forest-based Sector in Germany

Until the end of 2006 LEADER+ continues its role as a laboratory which aims to encourage the emergence and testing of new approaches to integrated development (EU, 2000). In future the LEADER-principles gain importance since the new EU Rural Development Regulation 1698/2005 will contain a fourth "axis" based on experiences with the overall LEADER-approach introducing possibilities for locally based bottom-up approaches to rural development.

The LEADER programme is not designated as a forestry programme. It rather addresses all relevant public and private rural actors. This is reflected by a low degree of visibility and political support for forestry in LEADER+. For this reason the majority of forestry actors have little experience in new integrated programmes and are not well informed about their opportunities to participate in LEADER+.

In Germany one third of the land area is covered by forests and owned by both public and private actors. Due to their defined rural character many LEADER+ regions show a forest

6 Chapter author: Maximilian Ortner; The research project is sponsored by the Ministry for Science and Culture of Lower Saxony and the Georg-Ludwig-Hartig-Foundation

cover, which is above-average. In account of this LEADER+ should provide opportunities for forest-related activities. For this reason in 2004 a written survey about LEADER+ and forestry opportunities was carried out by the Institute of Forest Policy. Managers of all current 148 LEADER+ regions in Germany were queried about the potential for forestry actors taking part in LEADER as well as their actual participation. However, as mentioned in Figure 1 "forestry actors do not tap the full LEADER potential – still many more opportunities left to use". Forest-related cooperation was found in about 30 Regions. Non-cooperation despite high forest potential was also detected. The majority of running forestry activities is found in the field of nature related education, renewable energy and measures promoting and developing timber sales (Ortner 2004). At present forest policy makers and forest policy scientists stress the rising importance for the forest sector playing a strong role in the Integrated Rural Development process (Böcher and Gießen 2006; Setzer 2006; Fürst 2006). Furthermore, EU policy makers see the recent EU RDR as one of the key instruments for implementing the future EU Forestry Strategy by midyear 2006 (Encke 2006; EU 2005). In the run up to the next period the forest sector has the opportunity to get it self established as an important actor of Integrated Rural Development by participating in present LEADER+ activities. For this reason the following analysis has been carried out, to find new strategies for forestry actors to successfully take part in the LEADER Programme.

5.2. Success factors for forestry and LEADER

Since 2005 in-depth research was conducted in a selected sample of all LEADER+ regions. The main objective is to develop strategies for forestry actors how to enter into cooperation within IRD programmes in order to achieve subjective benefits. The research project is conducted by qualitative forest policy analysis via expert interviews and document analysis (cf. Krott 2005). Assuming a subjective cost benefit analysis by the actor (considering time, money, social prestige etc.) the forestry actors´ choice for, against and runtime of LEADER+ related cooperation is explained using relevant models of negotiation theory.(Benz 1994; Scharpf 2000). The Success Factor Approach (SFA) is employed to identify processes of regional IRD cooperation, where forestry cooperation is promising. The success factors in focus of the project tie in with the SFA described above and are adapted for the forestry sector with data from prior empirical finding (Ortner 2005, 2006).

Assuming sufficient prerequisites of money and time successful cooperation for the forestry sector was defined in preposition to the forest policy analysis as follows:

a) **Gain political support for forestry actors**
b) **Policy learning of forestry actors**

As a preliminary result the most relevant success-factors for forest-related LEADER+ projects are described in the following. It has to be mentioned that the success factors are seen to be independent of each other. They are described in groups for better understanding only.

- Gain support of society, politics, and industry for forestry actors through cooperation: Attract "**strong interceders**" and "**strong allies**" (powerful forest and especially non forest stakeholders) to achieve a common purpose: "**win-win-situating**". Utilise public relations.
- Increase the "**demand for forest products (timber and non timber forest products) and forestry expertise**". The new partner and project should utilise forestry expertise.
- "**Need for action**" to solve a forest-related problem e.g. decline of timber sales. Initiated by a "**strong forestry promoter**" LEADER is realised as a means of forestry-problem-solving based on innovative "**integrated forest-related ideas**" – (i.e. the forest project was made compatible to the LEADER-programme)

- "**Policy-Learning**": Institutionalise the "**lesson learnt**" e.g. at new job descriptions and via new regulations. Forestry operating plans are reviewed and adapted. The network with the new cooperative actors is institutionalised.

5.3. Empirical findings on LEADER+ forestry projects

In the following paragraphs some striking examples for successful forest-related LEADER-Projects are described. In-depth research in these projects is still in progress. The cases have been analysed using the abovementioned success factors.

5.3.1. The „Wood competence centre"-case

Declining timber sales in a specific region reflected the "**Need for action**". The vice chief district forester had the idea to build a wooden house made of regional pine (*Pinus sylvestris*). His consultations with the regional LEADER manager lead to an "**integrated forest-related idea**". Provided that regional timber and labour could be used, a wooden house, trend-setting in design and energy-balance was constructed. The LEADER manager convinced an architect specialised in timber construction and building-biology to design the house. The architect turned out to be a "**strong promoter**" of the project. He achieved sustained success in monetary terms as well as for nature conservation. In 2005 this prototype house was constructed and has been used as an educational show-room promoting wood as a renewable resource.

"**Strong allies**" could be won for the project. The co-financier and builder is a small city in the LEADER region represented by its mayor utilising the project for his region. There is a "win-win situation" for both the region and the forestry actors. Forestry actors benefit from timber valorisation, tending of woods as well as benefiting from public relations for forestry and wood processing. The new house is located on the property of the local youth hostel which uses this attraction for educational purposes. The house is a fundament for increasing tourist trade and improving the quality of life in the region. Furthermore it increases the awareness of wood for next generations of home buyers. Serial production for national sales is intended.

The positive project development was greatly influenced by "**strong intercederes**". Early in the process the local agency for rural development realised the potential of the project for the region. It supported the LEADER-management in applying for EU project funds. The president of the state forest service, Members of EU-Parliament and members of the State parliament (officials living this electoral district) used the houses´ opening ceremony to be associated with this project. In return of this public marketing all officials gave good feedback about the project in their comity.

A regional company sponsored the fitted kitchen for the house. Up to now there are two **follow-up projects (non-LEADER projects)** to mention. The kitchen company plans a new kitchen made of the regional pine. Another company producing urban furnishing products plans to built benches and other furniture from this provenience.

5.3.2. The trans-national congress on regional timber

"**Need for action**": The chief district forester was looking for appropriate action to improve the situation of for local forest and timber industry. The consultation with the LEADER management showed that LEADER could be a way to implement e.g. public relations as a needed action. Due to a forest cover of 80% the forest sector in this LEADER-region is a factor of high economic and political significance (approximately 10-20% forest-related voters). For this reason the project is headed by the district administrator as one co-financier.

Furthermore, members of State Parliament act as "**strong intercederS**". "**Forest related idea**" as a LEADER-project: A trans-national timber promoting symposium as initial start-up for further action was accomplished successfully. To date there is a high number of follow-up LEADER and non-LEADER projects. For instance the symposium was designed as a trans-national annual event. A glossy brochure was published and internet presence promoting regional wood was initiated by the following: local handcraft, trans-national LEADER-Regions, the German Timber Promotion Fund, Ministry of Forest and forest research institutes as "**win-win**" partners and co-financiers. Furthermore, a new LEADER-project co-financed by private architects is doing a comparative study comparing conventional house versus timber house construction.

"**Policy Learning**": Background: Due to a reform of the state forest service, where 7 forest offices were closed down, the head of the district authority became the new manger in line of the chief district forester and now works as a political entrepreneur on behalf of forestry. In spite of the radical forest administrative reform the chief district forester took advantage of the successful forestry projects described above to stress the necessity for a regional wood promoter. As a consequence, a permanent position has been institutionalised by a new official job description. The position is being financed by the district authority.

5.3.3. Airport utilises forest for bio energy

"**Need for action**": The entry lane of an airport had to fulfill certain provisions concerning the maximum tree heights. The airport as private forest owner is responsible to meet these requirements. Former practices of clear-cutting caused the owner high costs and created conflicts with nature conservation interests. "**Integrated forest-related ideas**": Co-financed by LEADER+, both, the airport management and the local forester commissioned a feasibility study. As a result a simple coppice system combined with allotment method was recommended as being the most feasible means. "**Win-Win-Situation**": The timber is utilised for bio energy by regional companies. The successful implementation runs cost-covering and has prospect of yielding returns.

5.3.4. LEADER co-operation against cut-backs in forest administration

LEADER was one decisive element in the negotiation about the closure of a forest district office. Supported by LEADER+ the forest office enhanced its core segment by nature related education. A "**strong interceder**" informed the Ministry of Education about this new business segment. Due to the "**strong demand for forestry expertise**" in the new segment especially by regional schools the Ministry of Education successfully vetoed against the closure of the forest office as a new "**strong ally**".

5.4. Summary of findings for forestry actors and policy makers

As to the preliminary results forestry actors should try to take advantage of Integrated Rural Development. They should inform themselves about the IRD programmes running in their region via internet and public agencies. As a first step it is recommended to participate in the regular meetings of local IRD initiatives in order to get a general idea of the "making of projects" and the new actors as possible partners for integrated forest related projects. In spite of that one should keep in mind that successful LEADER projects are not an advantage for forestry in every case. Forestry actors should consider the expenditure of time and all consequences of the cooperation, such as the common-pool-problem: A recreation-related project providing short-term advantages for the forestry actor could lead to increased litter and wild game disturbance despite long-term advantages for other non-forestry actors. Summing up LEADER+ can be used as a stage to establish new powerful allies – especially non forestry stakeholders – and innovative business segments. Furthermore, the sector gains the advantage

of better connectivity to the forthcoming EU programming period (2007–2013). Projects which serve the common good will gain in importance. The forestry actors should consider the monetary incentives as well as the political advantages e.g. new allies in integrated forestry projects.

6. Conclusions

We theoretically as well as empirically demonstrated the potentials of Integrated Rural Development as a concept, to serve as a facilitating framework for innovations. A trend towards more integrated and cooperative rural development policies could be identified. Also, the philosophy of IRD often is being realised by a Regional Governance approach. The Success Factor Approach may serve as a promising means for the analysis and evaluation of integrated policies. It helps identifying conditions under which IRD may be most successful.
However, IRD does not per se bring benefits for forestry actors. They should consider the expenditure of time and all consequences of the cooperation. In some instances cooperation may not be favourable, while in other cases innovation potentials may be harnessed. The Success Factor Approach may assist forest-based actors in identifying promising IRD processes.

So far, forestry and forest owners do not tap the full potential of IRD programmes. Cooperative behaviour of forestry actors within the frame of IRD (e.g. under LEADER+) under certain conditions however, was shown to be highly promising. Engagement of forestry actors in IRD processes must be seen as an investment. Thus, we call upon forestry actors to enter into IRD-related cooperation in order to judge whether respective processes are promising in their individual respect.

Recommendations

- Sectoral approaches to rural development should be complemented with IRD policies to facilitate innovations, especially in forestry
- Regional Governance arrangements are promising for regionalised approaches to rural development
- Even though not each and every cooperation under IRD may be beneficial, we encourage forestry actors to enter into integrated and cooperative rural development processes in order to:
    - judge on potential benefits
    - tap the full potential of such programmes
    - increase their visibility through networking with other relevant actors in rural policy
    - create win-win situations and benefit from synergies
- Engagement in such processes should be seen as an investment. The return on investment, however includes uncertainty
- Without such cooperation both at the management and the policy-making level future developments will happen with a low degree of forestry participation.

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Fifteen Years of Co-Operation of the Forest Owners of Southern Europe

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Abstract
Since the foundation of the Union of the Foresters of Southern Europe (USSE) in 1989, we have been intensely active in developing co-operation. The first co-operation project was related to the defense of forests against fire. The aim of the project was to study the risks and typology of the causes for forest fires. The three partners (Galicia and Euskadi in Spain and Aquitaine in France) founded the USSE. The project lasted from 1989 to 1991 and was supported by the C.E.D.R.E (European Centre for Regional Development).
The initiative was taken and the recognition by the European Union of our capacities has been increasing overtime, mainly through two interregional co-operation programs: Compostela-Forets and Eurosilvasur.
It is important to emphasise that these programs have always been associated with the public authorities and private actors gathered or created for this purpose by the USSE.

1. The co-operation of forest owners

1.1. The interregional co-operation program Compostela-Forets

Program: Regional Policy DG – RECITE I
Duration: 1992–1996
Budget: 3 Million ECUS

10 public partners for co-financing:

Portugal:	Centre Portugal
	Portugal North
Spain:	Galicia
	Asturias
	Castilla y Leon
	Basque Country
	Navarra
France:	Aquitaine
	Poitou-Charentes
	Centre

Actions

Action 1: The creation of an experimental network for the development of the techniques of silviculture.

Action 2: The formalization of comparative surveys on legal, economic and tax systems of each regional member.

Action 3: The installation of an interregional training system for silviculturalists.

Action 4: The realization of pilot forest actions (agroforestry, afforestation of agricultural land, extension of the system of computer-assisted forests management, installation of clones of poplars and valorisation of chestnuts forests).

Action 5: Harmonization of fire prevention systems.

Main results

- Creation of organizations of forest owners or development of the existing ones in Portugal and in the Spanish Autonomous Communities.
- Emergence of the Forest Owners before the Public Authorities.
- Setting up of a network of associations of forest owners.
- Setting up of links between the wood industry and the Research and Technology Centres on Wood and the Forest.
- The legal, economic and tax report was used as a reference for new laws on the forest in Portugal and in Spain.

1.2. The interregional co-operation program – Eurosilvasur

Program: Regional Policy DG – RECITE II
Duration: 1999–2003
Budget: 3.6 million euro

7 principal public Partners for co-financing

Portugal:	Centre Portugal
	Portugal North
Spain:	Galicia
	Basque Country
	Navarra
France:	Aquitaine
	Poitou-Charentes

2 Associated partners: Asturias and Cantabria (Spain)

Actions

Action 1: Transfer of the French co-operative model towards Spain and Portugal (organizations of the producers).

Action 2: Interregional control panel on wood and the forest: (economy, market, exports, imports).

Action 3: To improve competitiveness of sawmillers (SMEs): to add value to the quality wood of the South.

Action 4: Financing of the silviculture companies.

Action 5: Interface Scientific-Researchers and the professionals of the sector and the creation of the European Institute of the Cultivated Forest (IEFC).

Action 6: Communication: to make known the forest and its culture (program series on TV).

Main results

- *To develop the forestry economy*

The first action, entitled "**Organization of the forest growers"** aimed to propose modes of offer regroupings for the best wood marketing. At the end of the project, this market structuring started with the creation of 2 companies of the type of limited liability companies related to associations of tree growers: Basoekin in the Basque Country and Selga in Galicia. In another areas as the Centre and North of Portugal or Navarre they rather chose to reinforce the existing structures.

In parallel, Action 4 allowed the assessment of the requirements in financing for the forestry company by studying the possibilities of establishment of companies inspired by the Aquitania model Sodef. This has led to the setting up of a foundation in the Basque country, and a project of a subsidiary company of the Sodef in Poitou-Charentes. Two other companies are still under study in Galicia and in Central Portugal. As a general rule, this action has made it possible to concretely define the possible ways of improvement of the systems of financing offered to the producers.

- *To promote the quality of Southern wood*

Within the framework of Action 2, the partners carried out a common reflection on the harmonization of the **protocols of cubing**. In addition to the regional actions which were developed (charter of measurement, comparison tests...), the summary of the results led to the development of a card of common evaluation and the homogenisation of documents (datasheets, contracts). A working group is now established to ensure the future and the development of this action with the long term goal of setting up a protocol USSE of cubing. Indeed, commercial flows after the storm of 1999 reinforced the relevance of such a tool.

Another working group concentrated on the topic of the **improvement of the competitiveness of PMEs saw millers** (Action 3) in particular by the optimisation of the transformation according to the quality and the standardization of the provisioning. Because of the competition between firms and inter-areas between the associations of sawmillers who integrated it, this action presented a remarkable innovative character. It led to the elaboration of a common strategic document on the sector of sawing and to the development in each area of a main topic, tested on pilot areas (for example: "improvement of the classification of the products", "installation of an automatic system of cubing of the logs and sawn products", etc). Some of these subjects constitute from now on the base of specific action plans.

- *To add value to the information*

On the **intra regional level**, the improvement of the mutual knowledge of the resource, the conditions of production, sales and wood transformation is the necessary condition for the consolidation of the network formed by these forest regions. That is the objective of the Forest Atlas of the South Atlantic Arc, published in 4 languages (English, French, Spanish, Portuguese). This work presents harmonised data in the form of thematic maps as well as a presentation of the most characteristic ways of management. This project is integrated in a bigger one that would be the creation on an "**Observatory of the forests of the South of Europe"**, it is a good base of data for the forest sector and available on Internet site of the project: www.eurosilvasur.net There you can find regional data and the Atlas, a directory of the companies and forest organizations, a multilingual dictionary etc.

At **extra regional level**, communication work of Eurosilvasur was concretised by the realization of a series of 7 documentaries on the topic "**the people and the forest**" (Action 6). It allows a sensitisation of the media on the forest topic and the popularisation of a cultivated

forest that provides well-being, respecting the environment and creating employment. It is a question of offering a vision which goes beyond the landscape aspect or the nature aspects and constitutes the starting of a vaster action of revalorisation of the role of the forests and foresters in the association of the South of Europe.

Research in network in the South
In another field, the setting in network of the research centres of the South of Europe also plays an important part of promotion. The creation of the **European Institute of the Cultivated Forests** within the framework of action 5 (forests of the south of Europe and sustainable development) is still working. Indeed, the multi-thematic network of IEFC on the sustainable management of the forests starts to be recognized by EU actions and the IEFC is now developing a project Interreg III B.

The members of the IEFC have acquired now the reflexes of the work in partnership around several research orientations and development (testing of the indicators of sustainable forest management in pilot areas, guide of forest pests and diseases, growth models etc.) whose follow-up is available on the site of the Institute: www.iefc.net.

The contributions on medium term of the Eurosilvasur project should result in the pooling and the modernization of the tools for the use of the professionals, the consolidation of the relations between the companies of the sector, the acquisition of a greater transparency in the wood trade and the opening of the market. The realization of these actions shows that the USSE has known how to make the sector more dynamic and insufflate to each one the need to enter a dynamic of development.

1.3. Perspectives
Today, thanks to these co-operation projects, a network has been created with a real dynamic. Indeed, between the members of this network, initiatives of co-operation and exchanges are being developed. And this dynamic is to be put in the results of the USSE. Below are some examples to il**lustrate this co-operation:**

- IEFC animates programmes of co-operation between the Laboratories, but also with the USSE and the professional organizations. It is the case with program FORSEE (Sustainable FOReSt management: a nEtwork of pilot zonEs for operational implementation).
- The **Forest Association of Galicia (Spain)** took the initiative to develop a program on the wood-energy (ENERSILVA) which associates members of Portugal and Aquitaine (France).
- **Conferences and Conferences** are regularly organized between the members: for example on the Strategies of Prevention of Fires of Forest in Barcelona in Catalonia (Spain) 9–11 may 2005, or on the Forest Taxes or soon on the Cultivated Forests in Bilbao (Spain) 3–7 October 2006.

This covers all the beneficial effects of co-operation. Our experience will enable us to the States that they should encourage co-operation, but the condition for success passes by the implication and the responsibility of the ones carrying out the actions. The co-operation decided by the State and conducted by the State (or its services) will not work.

Policy Co-Ordination in Support of Rural Development: Role of Forestry Investments

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Introduction

This paper is based on the results of recent and ongoing activities of the Food and Agriculture Organization of the United Nations (FAO) and United Nations Economic Commission for Europe (UNECE). It starts by presenting an overview of the contribution of the forestry sector to national economies (employment, value-added and exports) and trends in this contribution over the decade 1990 to 2000. This includes some information about the contribution of the sector to rural development. Following this, it describes some of the main changes that have occurred in the opportunities for investment in the sector in Europe. In particular, this examines the opportunities for research, development and innovation in the sector.

With respect to government policy, the paper describes some of the changes in policy that have affected the sector, the outlook for future policies and the likely impact of current and future policies on the sector. This includes an analysis of forestry policies and policies in other sectors (especially, environment, energy and agriculture). It also describes some of the main issues concerning policy co-ordination that have been raised in recent FAO and UNECE work on this subject.

The contribution of forestry to rural development

The economic contribution of the forestry sector can be summarised by three main macroeconomic variables: employment in the sector; value-added; and exports (in total and as proportions of the total workforce, Gross Domestic Product (GDP) and total exports). FAO has recently collated this information for every country in the world for the period 1990 to 2000 (Lebedys, 2004) and figures for countries participating in the MCPFE are summarised below and in Table 1.

Employment. Employment in the forestry sector in MCPFE countries has declined slightly from around 4.3 million in 1990 to 3.9 million in 2000. As a proportion of total employment, it has declined from 1.1 percent to 1.0 percent over the period. Around 1.2 million people are currently employed in forests, 1.0 million in pulp and paper mills and 1.7 million in the woodworking industry (sawnwood and wood based panel production). Reduced employment in the pulp and paper industry accounts for most of this decline (due to higher labour productivity) and the largest reductions in employment have occurred in Eastern Europe. The forestry sector also supports additional employment in the furniture industry and other supporting businesses, but the exact impact of these linkages (i.e. employment multipliers) is unknown.

Value-added. Value-added over the period has remained about the same, varying from EUR 95 billion to EUR 115 billion (adjusted for inflation to prices and exchange rates in 2000) and with an average of about EUR 100 billion. As a proportion of GDP, value-added in the sector has declined from about 1.5 percent in 1990 to 1.1 percent in 2000. This decline is due to the lack of growth in value-added in the sector compared with positive real growth in total GDP.

[7] The views expressed here are those of the authors and do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The pulp and paper industry accounts for slightly more than half the value-added in the forestry sector and most of the variation in value-added from year to year (largely due to fluctuating pulp and paper prices).

Forest product exports. The total value of forest products exports (at constant prices) increased from EUR 48.7 billion in 1990 to EUR 77.0 billion in 2000. Exports of pulp and paper products account for about 70 percent of the total value of forest products exports, with sawnwood and wood based panels accounting for most of the other exports. Exports of forest products account for about 2.6 percent of all merchandise exports. This figure has not changed over the period, indicating that these exports have increased at the same rate as all merchandise exports.

Table 1. Key economic statistics for the forestry sector in MCPFE countries.

Forestry sector and sub-sector (ISIC codes)	Total employment (millions)		Contribution to employment (percent)		Total value-added (EUR billion)		Contribution to GDP (percent)		Total exports (EUR billion)		Contribution to merchandise exports (percent)	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Forestry	1.3	1.2	0.3	0.3	20.9	16.4	0.3	0.2	2.2	3.8	0.1	0.1
Woodworking	1.7	1.7	0.5	0.4	34.6	33.1	0.5	0.4	11.2	18.2	0.6	0.6
Pulp and paper	1.3	1.0	0.3	0.3	60.1	49.4	0.8	0.6	35.2	55.0	1.9	1.8
Total	4.3	3.9	1.1	1.0	115.6	98.9	1.5	1.1	48.7	77.0	2.7	2.6

Note: Value added and exports are adjusted for inflation to the prices and exchange rates in the year 2000.

With respect to rural development, it is difficult to estimate the contribution of the forestry sector to rural economies because it is not possible to identify how much of the economic activity in the sector occurs in rural areas. However, assuming that all employment in forests occurs in rural areas, this activity accounted for around one percent of all rural employment during the 1990s. Employment in all three sub-sectors could amount to up to three percent of rural employment, depending on how much of the forest processing sector is located in rural areas. For comparison, employment in agriculture accounted for around 40 percent of rural employment in 2000, although this has declined from about 45 percent in 1990.

Excluding the Russian Federation, value-added in the production of roundwood amounted to around EUR 100 per hectare per year in 2000, compared with a figure of around EUR 1,000 per hectare per year for agriculture. Both of these figures are much lower in the Russian Federation, due to the much larger areas of forest and agricultural land there. Value-added per hectare in forestry remained about the same (in real terms) during the 1990s, while the value-added per hectare in agriculture declined by about 20 percent.

The above figures indicate that the forestry sector makes only a small direct contribution to rural economies at the national level. However, the contribution has been stable while the contribution of the most significant rural activity (agriculture) has been declining.

In addition, it should be noted that the forestry sector has a very limited scope to create new jobs in rural areas as agricultural employment declines. For example, for the MCPFE region as a whole, employment in agriculture is around 80 persons per 1,000 hectares while only one person is employed in forestry for every 1,000 hectares of forest. Even if forest processing and multiplier effects were to be included, it seems likely that replacement of agricultural land with forests would result in a loss of about 90 percent of the people that were employed in agriculture.

The role of forestry investment

Simply stated, the role of forestry investment is to increase the value-added in forestry activities, where value-added is defined as the gross value of output from the sector less the costs of all purchases from other sectors (i.e. raw materials, energy, tools and machinery, but excluding labour costs). Value-added is distributed to the three factors of production (land, labour and capital). In the context of roundwood production, the return to land is stumpage prices, the return to labour is wages and salaries and the return to capital is the return on investments in harvesting equipment.

It is well known that the economics of forest management in Europe has changed a lot over the last decade, so to examine the economics of roundwood production in Europe, the information about employment and value-added collected above was combined with information about labour productivity, average wage costs, roundwood and stumpage prices to identify the distribution of value-added amongst the three factors of production.

The results of this analysis indicate that there are three very different approaches to roundwood production in Europe. Most countries in Northern Europe follow a capital intensive model of production while most countries in Western Europe follow a more labour intensive model. Countries in Eastern Europe currently have a significant cost advantage in production, due to their relatively lower level of economic development (e.g. lower labour costs and lower price expectations) and better availability of forest resources.

An indication of the distribution of value-added from roundwood production in each of these regions in 1990 and 2000 is given in Figure 1. The height of each bar represents the average felled roundwood price and the components of each bar show the purchases of materials from other sectors and the distribution of value-added to land, labour and capital.

Northern Europe. Roundwood prices in Northern Europe have always been somewhat lower than in Western Europe due to the abundance of forest resources there. It is estimated that average real roundwood prices in Northern Europe may have fallen by about EUR 20 per cubic metre during the 1990s due to increased competition from producers in Eastern Europe.

Most producers in Northern Europe utilise a high level of harvesting equipment and technology, resulting in a very high level of labour productivity. For example, roundwood production per employee was over 2,000 cubic metres in Finland and Sweden in 2000, compared with an average of only 600 cubic metres per employee in Western Europe.

In response to falling roundwood prices and rising labour costs, producers in Northern Europe have substituted labour for capital over the last decade (e.g. labour productivity was only 1,200 cubic metres per employee in 1990).This has resulted in a reduction in purchases from other sectors and a significant fall in the labour cost per cubic metre of production. Due to these changes, the reduction in roundwood prices has had a limited effect on stumpage prices, which have only fallen by about EUR 10 per cubic metre.

This capital intensive model of production has meant that forest owners in Northern Europe have felt less of an impact than in many other European countries from the increased competition in roundwood markets. However, this model relies on the economies of scale in roundwood production that can be achieved in Northern Europe. It may not be possible to obtain much greater economies of scale in Northern Europe, but there is some evidence that other countries may be starting to adopt this model of production (e.g. Ireland, where labour productivity has increased from 500 cubic metres per employee in 1990 to over 1,000 cubic metres per employee in 2000).

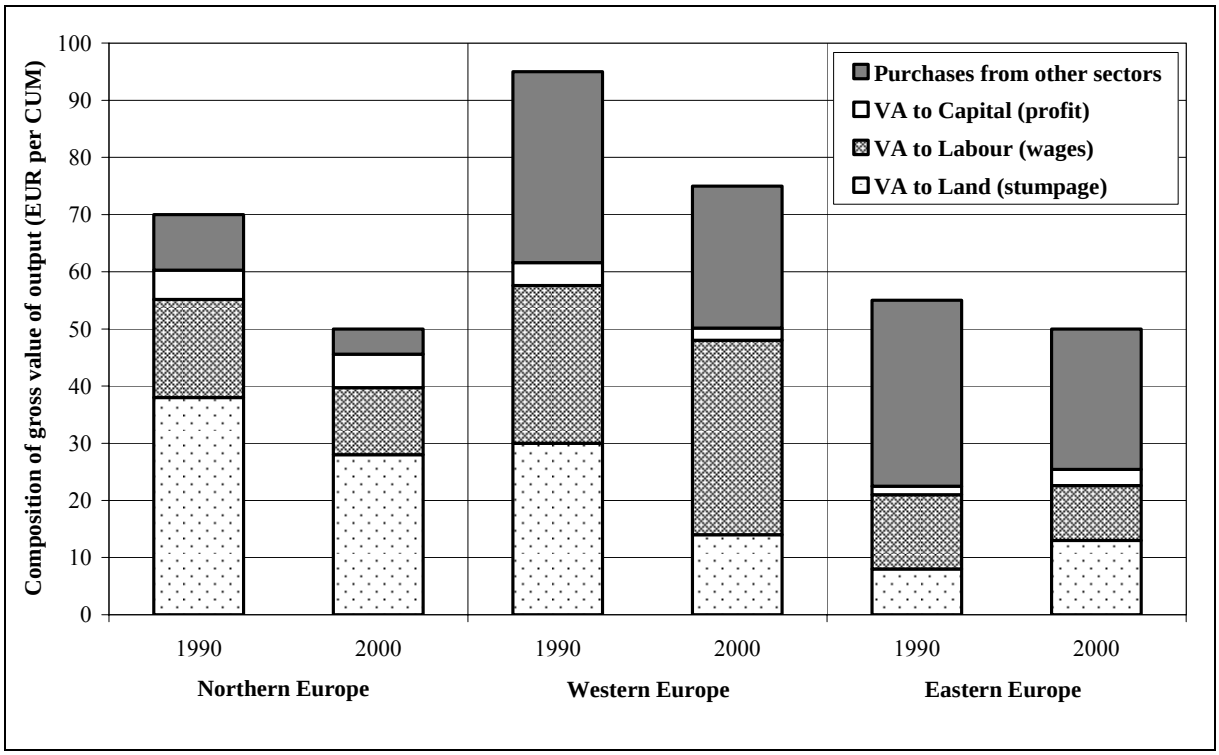

Figure 1. An indication of the distribution of value-added from roundwood production.

Western Europe. Roundwood prices in Western Europe are generally above average, but have also fallen by about EUR 20 per cubic metre during the 1990s. However, due to the much lower levels of labour productivity in this region and increasing real wage costs over the last decade, the impact of falling roundwood prices on stumpage prices has been much greater. The combination of this fall in roundwood prices and rising labour costs explains why stumpage prices in Western Europe have fallen by 50 percent over the last decade.

The underlying reason for the relatively low level of labour productivity in Western Europe is the generally small-scale of many forest operations. In addition, it may be partly caused by the higher level of tree planting in the region (afforestation and reforestation). Some of the deterioration in the economics of forest management has been reduced by the use of public subsidies for tree planting and forest management. However, it has also resulted in large areas of forest becoming economically unviable and being taken out of wood production.

Eastern Europe. Due to high inflation in the early 1990s, real roundwood prices declined significantly in this region but recovered in the latter half of the decade. Overall, real roundwood prices have fallen only slightly and have converged towards the same level as in Northern Europe. At the same time, a much greater fall in real wage rates resulted in a

considerable reduction in the labour costs of roundwood production. Thus, stumpage prices have increased somewhat and are comparable with the levels obtained in Western Europe.

The competitive position of roundwood producers in Eastern Europe is supported by the abundance of forest resources (in some countries) and the relatively low wage and price expectations there. However, with the gradual convergence of economies in Europe (particularly in the new EU Member States) it is likely that these advantages will be eroded over time. The level of labour productivity in Eastern Europe declined during the 1990s and is currently lower than in both other regions (possibly due to fragmented forest ownership after restitution), but the fall in real wage rates more than compensated for this. As wage rates rise, it is likely that capital will be substituted for labour, as producers try to remain competitive.

Opportunities for investment and innovation

There are three main ways that the value-added from forest management can be increased:

- increase the gross value of output (e.g. by developing a stronger industry that can pay more for the wood);
- reduce production costs (by investing in more efficient capital and labour); and
- increase the range of goods and services marketed from forests.

The first two increase the depth of value-added from roundwood production, while the latter can be thought of as increasing the breadth of value-added from all forestry activities.

The analysis of value-added suggests that the immediate challenge in the European forestry sector will be to implement a more efficient model of production (i.e. probably a more capital intensive model of production to obtain economies of scale). With the large number of private forest owners in Europe, this will require research and innovation to overcome some of the difficulties associated with small-scale forest operations. Significant advances in this area have already been achieved in Northern Europe and the Baltic States and their experiences suggest that some of these problems can be overcome through improved co-ordination and co-operation between forest owners.

With respect to the latter point, it should be noted that these value-added statistics only include the value-added from roundwood production and do not reflect all of the value-added created by good forest management. For example, forests provide opportunities for alternative and innovative economic activities, such as rural tourism, especially in the wealthier countries in Europe where this is already taking place.

Many European countries are already post-industrial societies, where the service sector (including tourism) accounts for the majority of economic activity. Most other European countries are rapidly developing and will soon be in a similar position. In such societies, expenditure on tourism accounts for a significant and growing proportion of consumption and much more than expenditure on forest products. Thus, the challenge for the forestry sector is to capture the benefits from the growth in rural tourism (where such opportunities exist) and to transform itself from an industry rooted in the primary production sector.

It should also be noted that capital-labour substitution is not zero-sum. More efficient production also results in greater overall production, which compensates for some of the downward pressure on employment that may occur. It also increases labour productivity which, in turn, supports real increases in wage rates. To ensure that this can be achieved, it is essential to invest in training the workforce to meet the changes in demand for forest goods and services that will occur.

Trends in government policies

Some of the major trends in government policies over the last decade can be summarised as follows:

- government budgets remain under pressure (increasing the need to justify public investment in the forestry sector to support the production of public goods);
- market liberalisation and policy reform (especially in Eastern Europe, countries have revised tax, investment and labour laws, deregulated and privatised state assets);
- shift from direct implementation to facilitation (e.g. the growth in outsourcing; public-private partnerships; service provision; and targeted grant-aid to provide public services); and
- increased influence on the sector of policies in other sectors (e.g. water; conservation; agriculture; energy; trade and investment).

With respect to the last point, policymakers have noted the following (MCPFE, 2005):

- Water and conservation: there should be a strengthened dialogue and enhanced communication between the two sectors; public awareness and education should be raised; and payments for environmental services (PES) should be developed and implemented.
- Agriculture: some improvement in co-ordination and equal access to support has been noted, but there is still a need to establish the case for more support towards the forestry sector (as a provider of public goods). It should also be noted that this implies a reorientation of support towards those public goods rather than simply more tree planting!
- Trade and investment: forestry sector development strategies should be elaborated to strengthen competitiveness and innovation; a foresight processes should be launched to bring a forward looking component into the debate; and national forest programmes should include a cross-sectoral dimension and discuss competitiveness and innovation issues
- Energy: an overview of the different actors and potential partners in bio-energy should be elaborated, followed by a dialogue with stakeholders in the energy sector and development of frameworks for co-operation. In addition, the potential for wood as bioenergy versus wood for other uses should be assessed and applied research and development in fuel production, procurement and technology should be increased.

Cross-sectoral policy co-ordination remains a difficult and complicated task and there have been few signs of progress in this area so far. However, it remains important for countries to share and learn from their experiences in this area. FAO remains committed to assisting countries with this task by providing technical assistance and a neutral forum for discussion and debate.

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Approaches to Integrating Investment Incentives into National Forest Policies – A Regional View and Experiences from Romania

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Abstract
Forestry in Romania has been a traditional activity with a relatively low degree of integrating investment incentives and innovations. The historical evolutions of investment incentives level in forestry activities have always been connected with the policy factor and general social-economic development. There was a long period when the incentives were directed mainly to the technical aspects of forestry developments: reforestation-afforestation, forest roads and watersheds. Forestry applicative research and general educational aspects were also supported to some extent. Nowadays, there are new approaches related to sustainable forestry. Recent developments are directed towards capacity-building and institutional aspects, training, public relations, forest economy, biodiversity conservations, urban forestry and general rural development. The recent rapid and dramatic changes in the forest land ownership pattern have determined incentives directed to private forestry sector (state support and international programmes). An important development of high-level education for forestry has been registered after 1990 (eight Faculties of Forestry in 2006 compared to one since 1990). The progress made after 1990 in forestry activities is very much connected with the financial support coming from the State. The natural conditions are appropriate, the potential is remarkable, the legislative framework is generally adequate and favorable to forestry activities and there is a trained forestry personnel. The tradition of private forestry was lost after 50 years of absence, and the management of these forests became a real issue for Romania.

Keywords: forest policy, forestry sector, traditional activities, investment incentives, innovations, new approaches

1. Forestry in Romania

1.1. General aspects

Today, forest covers 6,337 million ha, which represents 26.7% of the total area of Romania, decreasing with more than 0.76 million hectares during the first half of the last century (Table 1) and remaining relatively stable since then. The sustainable use of the forest resources, mainly wood in Romania has a long tradition and the forest area is managed in terms of the silvicultural regime (system of technical, economic and legal norms/regulations issued by the Central Public Authority for Forestry). The allowable cut is determined by taking into account rotation length, average species composition, forest structure according to the site indices and the existing distribution of age classes. The actual present-day contribution of the forestry sector to the GDP shows that wood and other forest resources in Romania are still underused resources from the economical point of view. Since 1992 the entire wood industry has become private very rapidly. The major wood products produced, traded and consumed in Romania are veneer sheets, coniferous sawnwood, non-coniferous sawnwood, plywood (including tropical plywood), particle board (including OSB), fibreboard (hardboard, MDF, insulating board), wood pulp, paper and paperboard and roundwood (veneer logs, sawnwood logs, (including tropical logs), coniferous pulpwood (round and split), non-coniferous pulpwood (round and split), wood residues, chip and particles and other industrial roundwood of coniferous and nonconiferous. The source of raw materials is mainly domestic, the export of

raw material is decreasing but still very important and the import of raw material is also envisaged in the future. The forest industry privatization started in the 1990s and was followed by the closure of many large units of forest industry and a rapid growth in the number of new privately owned and operated sawmills. The new type of long-term wood supplying contract contributes to the consolidation of wood processing industry in Romania. The non-wood forest products and the related activities such as recreation, tourism, the multi-functional role of forests, biodiversity conservation, carbon sequestration or "bioenergy" from wood, have recently gained much more importance and could be an important source of revenue for both state and the private sector. The restitution of the forests to the ex-owners is ongoing process. It is estimated that up to 4 mill. ha (60% of the total forest area) could be private by the end of the restitution process.

1.2. Institutional responsibility for forestry

The State Authority for Forests is currently represented by the Ministry of Agriculture, Forests and Rural Development (Ministerul Agriculturii, Padurilor si Dezvoltarii Rurale – MAPDR-GD 422/2004.) Ministry of Agriculture, Forests and Rural Development –MAPDR. The functions of MAPDR in relation to forestry: regulatory, i.e. to formulate forest policy and draft legislation; implementation, follow-up, enforcement and control of compliance with the legislation in all forests; support by the State and its institutions to ensure the sustainable forest management and forestry extension activities; ownership and administration of the State-owned forest property; oversee forest management plans.

The administration of the State-owned forest property is provided by the National Forest Administration – Romsilva, which is still the dominant actor in Romanian Forestry. Starting in 1990 with 41 branches, Romsilva has continuously adapted to the socio-economic and political context. Romsilva is a specific forestry structure of public service, under the State Authority for Forests. Romsilva has financial autonomy and manages the State forest through its Regional Branches. Romsilva includes the Forest Research and Management Institute (FRMI), performs the State forest inventory and undertakes forest management on private or community owned forests on contractual basis.

1.3 The international forest policy and cross-sectoral aspects with impact on the national forest policy

General aspects related to EU accession, forest international policy and some recent cross-sectoral developments with great impact on forest policy are taken into account when establishing the fundamental strategic and specific forestry research-development and innovation objectives:

1.3.1. EU accession and the recent emerging policy issues in forestry sector

a) The National Plan for Romanian Accession to the European Union;
b) The Agreement of Association to the European Union ratified by the Law no.20/1993;
c) Romania position Document regarding the negotiation of the following European policy chapters: Agriculture, Environment Protection, Research – Science, Education, Professional Training and Youth (Romanian Government, 2001);
d) The National Strategy for Romanian Accession to the European Union (Romanian Government, 1999);
e) The National Strategy for a Sustainable Development (Romanian Government, 1997);
f) The National Strategy for Research – Development and Innovation (Ministry for Education and Research, 2002);

g) The policy and the strategy for the forestry development in Romania (2001–2010) (Ministry of Agriculture, Forests and Rural Development 2004, Ministry of Waters, Forests and Environmental Protection, 2000);
h) The forest ownership structure diversification process;
i) The legislative harmonization EU-Romania for forestry, hunting and environment protection,
j) The legislative harmonization EU-Romania for the research – development.
k) The EU Forestry Strategy (1998)
l) The EU Rural Development Strategy (2007–2012)
m) The EU Energy Policy
n) EU Forest Action Plan (to be adopted mid 2006).

1.3.2. International processes related to the forestry sector

a) The Ministerial Conferences on Forest Protection in Europe (Strasbourg, 1990; Helsinki, 1993; Lisbon, 1998; Vienna, 2003, Warsaw 2008);
b) The Inter-Governmental Forum on Forests; the International Panel on Forests, the United Nations Forum on Forests,
c) The United Nations Conventions on the Environment and Development (Convention on Biodiversity, the Framework Convention on Climate Change and the Convention to Combat Desertification).

2.1. The Strategy for Forestry Development 2001–2010

The main objective of the present-day national forest policy and strategy (Strategy for Forestry Development 2001–2010) in Romania is the development of the forestry sector in order to increase the sector's contribution to the improvement of the quality of life based on the sustainable management of the forests. There are four principal policy statements encompassing the sustainable development of the forestry in Romania:

- to ensure the forest management according to the principles of sustainable management of natural resources, taking into account the diversification of forest land ownership;
- to integrate the logging and wood processing activities within the concept of sustainable forest management, to better utilize the wood resources;
- to promote the development of the use of forest resources, especially to the high added-value products, in order to achieve the sustainable development of the sector;
- to develop scientific research and education, to support the sustainable forest management, the economic development of the forestry sector and the improvement of the environment conditions.

There are some consistent actions for forestry sustainable management and forestry extension in the Romanian forests in the new ownership context determined by the restitution of the forests to the ex-owners: natural persons and legal persons. These actions have been envisaged and mentioned in the successive "Strategies" and Action Plans issued for the forestry sector in 1996–2004: legislative measures, financial and technical measures and educational measures.

2.2. Main Investment Projects and Programmes for Forestry

Besides the State budget, three main projects, namely the Forest Development Project supported by the World Bank and the SAPARD and PHARE projects supported by the EU have been prepared in order to successfully elaborate and implement the above mentioned legislative, financial and educational measures for forestry in Romania.

2.2.1. Forestry Development Project

The WB-supported Forest Development Project (FDP) has been approved and signed by both the Romanian Government and the WB and its implementation has started. FDP has been designed to address the major current concerns of the forestry sector in Romania, which are related to the extension of the private forest sector and the creation of adapted institutional structures, instruments and procedures. The implementation of this project is considered remarkably important for the Romanian forest administration, aiming at the sustainable development of the existing forest resources. FDP will strengthen the capacity of the forest administration and enable them to properly assist the private forest owners in participating in and benefiting from the forest measures under the EU rural development support scheme.
The objective of the project is to maintain and improve environmentally sustainable management of state and private forests so as to increase the contribution derived from Romanian forest resources to the national and rural economy. The sector issues that will be addressed by the project include: the restitution of forest lands; the changing role of NFA-Romsilva, timber pricing policy; the access to forest resources and the increase of productivity and competitiveness of private wood processing industries as well as co-ordination between the forestry and wood processing sectors.

2.2.2. Special Accession Programme for Agriculture and Rural Development

The Special Accession Programme for Agriculture and Rural Development (SAPARD) has envisaged that 10.3% of the total contribution of this programme to Romania has been allocated to the forestry sector. To date, SAPARD forestry sub-measures were formulated (only some minor changes are expected to appear in the present day review process of SAPARD forestry sub-measures), financial provisions have been made and institutional structures for the implementation and supervision have been set up at central and county level.

2.2.3. The PHARE support for acquis communautaire adoption in Romania

The specific PHARE assistance that is proposed for Romania, aims at strengthening the institutional capacity of the forestry sector in Romania for adopting and implementing the forest-related chapters of the ‘acquis communautaire’. The forestry issues that are covered by EU regulations include: production and marketing of forest reproductive material, forest monitoring and protection, forest measures to support sustainable rural development, classification of forestry products, the set-up and functioning of forest information and communication services and the operation of an EU Standing Forestry Committee. The PHARE support objectives are directed towards institutional building and capacity strengthening of the public administration.

3. A Regional View and Experiences from Timis Forest Directorate

The Timisoara Forest Directorate administrates 89,000 hectares of forests (out of which 15,000 hectares of private forest on contractual basis).

The main activities performed are related to the main goal, the sustainable management of the Timis Directorate forest area and includes:

- timber sale (including marketing services for private owners at demand) of 260,000 cubic meters standing timber and of 20,000 cubic meters roundwood per year. The market for standing timber is decreasing dramatically.
- pest control for broad-leaved forests (insects control using biological and bioactive substances).
- protected areas and preservation of biodiversity (17 natural or scientific reserves).

- hunting and wildlife (hunting grounds on a total area of over 200,000 ha and three special areas for game breeding). The market demand is high, but opportunities for hunting in the region are narrowing due to land ownership diversification, development of tourism and conservation and environmental aspects.
- a horse breeding farm (elite horse breeding unit, sport, tourism and recreational riding).
- ecotourism: accommodation in 5 comfortable cabins and guided tours.

For the current year, the investments in Timis Forest Directorate are approved at national level and mainly directed towards technical traditional aspects of forestry development (81% of the total) rather than towards research and innovation: reforestation-afforestation: around 6% of total; forest roads : 51% of total; watersheds: 18% of total; logging and transport : 6% of total; marketing wood and non wood products: 5% of total; research: 1% of total; professional training: 0.1% of total; work and work safety equipment: 4.5% of total; others: 8.4% of total.

The sources of investments for the Timis Forest Directorate development are: 25 % of total investments from its own resources (possibly up to 20% of the profit), 50% from the State budget (afforestation, ecological reconstruction, forest roads), 25% from "extra-budgetary funds" (forest roads, afforestation, ecological reconstruction).

4. Conclusions

The main sources of the investment funds in the forestry sector either at national or at regional level, are mainly the State Budget and some "extra budgetary funds" (EU funds, World Bank funds, etc.) and are directed mainly towards traditional forestry activities: forest roads, afforestation or ecological reconstruction. There are recent developments in the institutional capacity building for forestry at the national level both for the State and the private forest sector. Research in forestry is very low funded at the moment. Education and training is funded to some extent but with important contribution from private funds. The integration of the EU Strategy for Forestry and of the related Action Plan in compliance with the National and Regional Forest Policy is envisaged. The impact of international research as well as development programmes/projects will increase especially with EU accession, including the cross-sectoral aspects, the private sector, forest owner associations and educational institutions. The investments incentives and innovations in other sectors led to a replacement of wood as raw material and gained an important share market for other materials during the last decades. Meanwhile traditional forestry is losing its prestige and its institutional representation at international and national level. Promoting innovation, research and education as pillars of the forest sector investment strategies could be the key-issues for the future.

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Forest-Based Tourism as an Example of Developing the Full Economic Potential of Forest Holdings

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The Norwegian Forest Owners' Federation has analyzed the value potential of forest holdings in Norway. One of the three most promising value chains is forest-based tourism. I will use forest-based tourism as an example of our work of developing the full economic potential of forest holdings. However, I will first give a brief introduction to Norwegian forestry and how the forest owners have organized their economic and political activity.

Forestry and the use of wood have a long tradition in Norway. Wood has for generations played an important part in Norwegian culture and every day life. Wood is the dominating building material for family homes. Forestry and wood has also through centuries played a vital part in the Norwegian economy as an important export industry. Wood and paper products export are still very important, even today when the oil and gas industry dominate the Norwegian economy. The Norwegian forestry sector has through generations been exposed to international competition, and Norwegian forestry is a market driven activity.

Norwegian forestry is probably one of the most privatized forest sectors in the world. Nearly 90% of Norwegian forest holdings are privately owned, due to old regulations. There are hardly any state or industry owned forests in Norway and the non-privately owned forest holdings belong to municipalities or are communal forests belonging to the local farmers.

We have around 120,000 forest holdings in Norway with an average size of 60 hectares. Due to our heritage law, the properties are normally not divided when the ownership is passed over to the younger generation. More than 90% of the annual cut in Norway comes from private holdings and municipalities.

Norway is characterized by the fact that we have more mountains than forest and nearly half of the forest area cannot be utilized for economic viable forest production. At the moment, the annual growth is twice the annual harvest.

This leads up to the fact that areas used for recreation and tourism are very important for the owners in combination with the areas used for wood production. You will also have to keep in mind that we have a lot of space and few people in Norway and that rural policy is very important in Norwegian politics. Due to the Gulf Current we have populated areas in Norway where people can barely survive in other parts of the world at the same altitude. We have a very long coastline and forest areas close to the coastline is very important for tourism.

Figure 1. All economic usable forest area in Norway are certified under the PEFC forest certification scheme.

Norwegian forests are sustainably managed. Our whole area is certified, and you cannot sell uncertified wood to industrial customers in Norway. Most of the area are group certified and under the PEFC scheme.

Even if the average size of properties in Norway is large compared to many other countries with dispersed ownership, we are dependent on an efficient organization to ensure a profitable forestry on relatively small holdings. Co-operative organization has been and is still our answer to this challenge. For more than 100 years we have developed our organization, which today consist of eight economically independent co-operatives – our district associations – under the umbrella of our national forest owners' federation.

Nearly 50% of forest owners, and 95% of, what I would call, active forest owners with a property of economic value are owners in our co-operatives. Our organization has an 80% market share in the wood trade in Norway. Our organization combines economic activity with also being a political organization defending our owner's political interests. Our organization markets the wood and provides also the forest owners with all kind of forestry and counselling services. An important activity is supporting business development.

Family forestry is the dominating type of private and personal forest ownership in Norway. The forests are being sustainable managed through generations. Hunting and fishing rights belongs to the forest owners. Smaller forest owners join together in what we call hunting areas to be able to utilise and manage their hunting rights. Our hunting laws govern this arrangement. The hunting and fishing rights are very important for the forest owners both in economic, social and recreational respects.

Our family forestry owner structure is very stable. According to our recent member survey 97% of the forest owner believe the property will remain in the family. A stable – and hardly changeable property structure – calls for cost cutting in order to keep up an economic viable forest activity on a constant area. Mechanisation has rationalised the forest activities dramatically in recent decades. 90% of the Norwegian harvest is now mechanised. But still there is need for cost cutting, but also income increase. All forest owners are today dependent on income from several sources – partly outside the property – but also creating new income sources on the property. This search for new income sources has led to the analyses and the activities that are the main topic of my presentation. We started by analysing today's income from all sources connected to the properties, and were surprised:

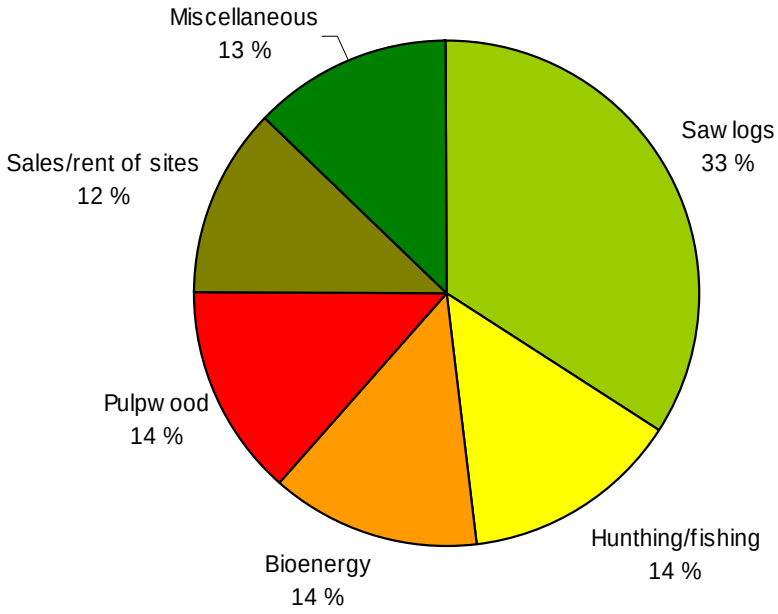

Figure 2. The distribution of present sources of income to Norwegian forest owners, in %.

We had thought that today's main income sources originated from industrial wood – saw logs and pulpwood. But the research showed that industrial wood corresponded to approximately half the total income contribution from the forest. When we add bioenergy and firewood – the major part from firewood – the wood contribution reached 65%. Hunting and fishing rights were important source of approx 15%. This figure covers the value of the rights actually being sold. But the owners themselves and family and friends hunting on non-commercial terms consume a major part of the potential value of hunting. Renting of cottages, renting and selling of sites for cottages, were equally important with a more than 10% part.

The rest – miscellaneous income sources – of a good 10% is a variety of sources; that is for instance Christmas trees, minerals, hydro electric energy, wood chemicals, compensation for protected areas and many other small sources.

From this basic setting, we started to look at potential different sources. We then compared today’s income with the potentials in order to sort out what we as an organisation should prioritise. We wanted to find where was the over all largest potential concerning the majority of the forest owners. However, we have to keep in that for some forest owners sources with less total potential may be very important for them. This has however to be handled in smaller networks and without the same attention from the organisation.

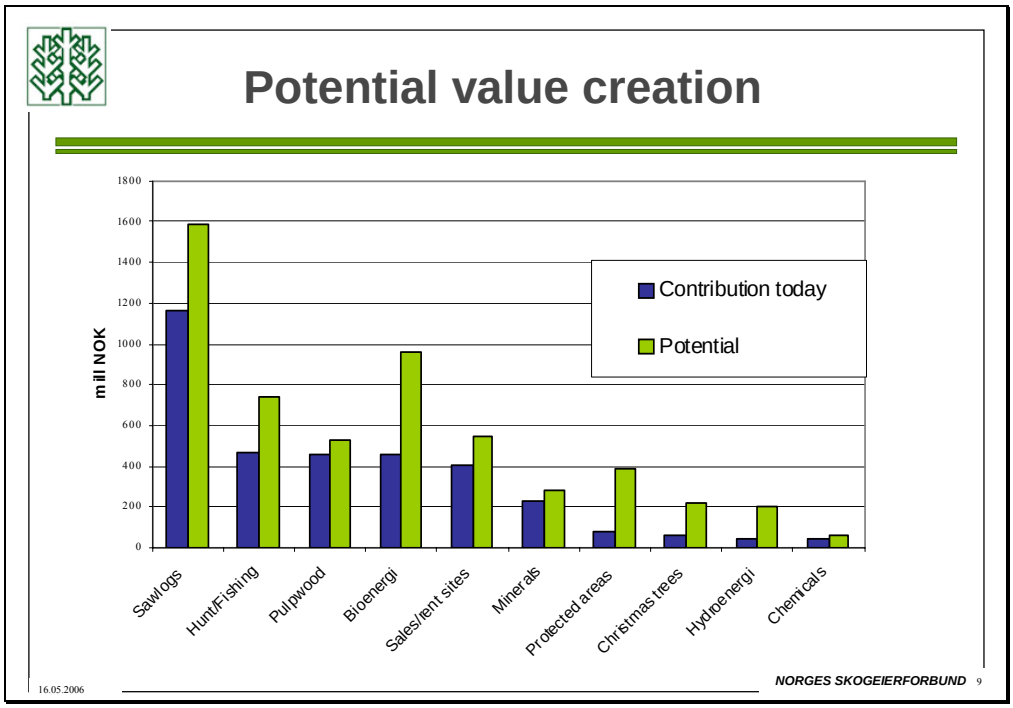

Figure 3. The comparison of the current and potential income from different sources for the forest owners.

When we then analysed the potential, we found that some sources where important today, but the future increase was limited. We then have to keep up the good work, but the further possible increase was limited.

Based on the analyses we selected the main value chains to concentrate on. Our analyses showed that if we should be able to realise the full potential we had to work through the value chain and work together with partners in other parts of the chain.

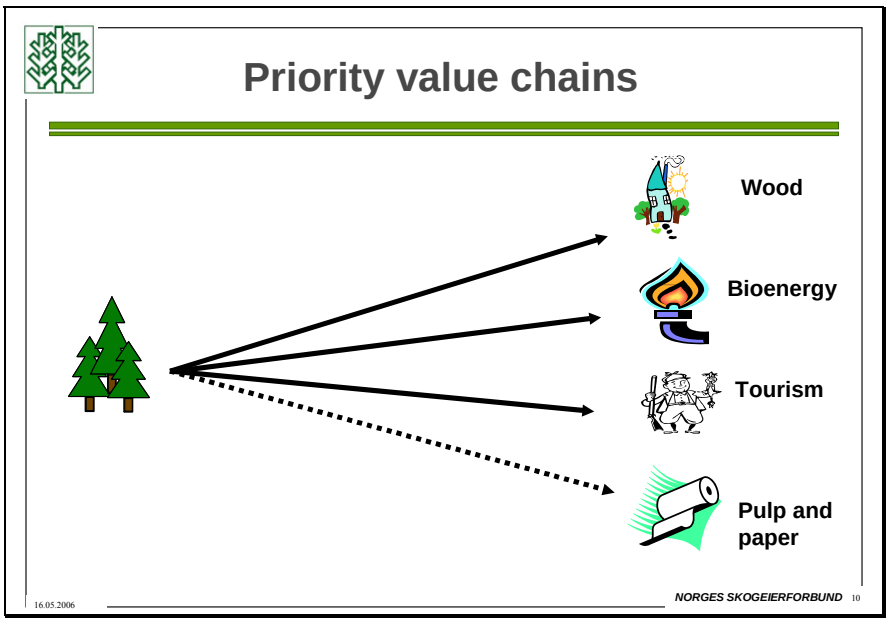

Figure 4. The priority values change with largest potential were wood, bioenergy, tourism and paper.

Further increase in the use of wood has a great potential. Bioenergy has a great potential, but the energy market is a very political market and must be treated differently from the more pure market driven activities. Forest tourism was the third important value chain.

Pulp and paper is a very important value chain, but with a limited potential for further increase. The economic ecology of forestry makes it, however, decisive to maintain a sound pulp and paper industry in order to be able to keep up forestry and the other value chains.

We have created a way of developing the potential for the forest owner, by joint efforts with our private partners in the value chain and with our political authorities and their "tools" and funds for stimulating innovation, business – and with emphasis on rural development. Our main strategy has been to work closely with these partners and start by developing common goals. The goal for the forest based tourism sector we agreed on for the 10-year period towards 2014 is to double the value creation in this sector within the period.

Our main goal is to increase income for the forest owners, but to ensure an active co-operation throughout the value chain, our scope is also to optimise the value creation along the whole chain. We believe that the value chain perspective in the long run will give the best result for the forest owners. Our main strategies and modalities for all our work with priority value chain is to work along four lines:

1. Establish or develop further the value chain co-operation depending on the chains state of maturity
2. Define needs for innovation and try to stimulate innovation and project funding
3. Promotion – including motivation – targeting forest owners, partners in the chain, public authorities and funds and the media and public audience.
4. Identifying obstacles in laws and regulation and trying to identify potential changes in regulations – or means of public support – that could promote our goals.

Forest based tourism is not a new invention in Norway. The changes are, however, to develop the possibilities more systematic and more professional, in order exploit the full potential. This requires long-term thinking and hard work for many years. We have now started our step 3 in the process and each step is five years of work.

We are now concentrating on product development, market development and elaborate on the marketing and the marketing facilities and companies, co-operating strongly with the national efforts to market Norway as a tourist destination. This third step must build on two previous blocks.

The first five-year-step was to develop management plans in hunting, fishing and housing, creating a basis for sustainable management of the resources. Step two was to find the best ways of organising the forest owners' co-operation and building co-operatives in tourism based on the century long co-operation in wood marketing and traditional forest management. Our regional co-operatives have formed different divisions or companies being responsible for the development of the owner's engagement in forest based tourism. An important part of this step was to develop and organise the co-operation with other partners in the value chain, partners that are others than our partners in the other chains.

We have organised our work in a central project responsible for national co-ordination, the co-operation with the national organisations of our partners and to influence the political framework and funding. Locally the work is organised in 9 regional projects connected to our

regional association. The division of responsibility is that the major part of the practical and forest owner related work is carried out locally.

We have also realised that the tourist business is different from the traditional wood line of business, and this require additional expertise from outside the forest sector. 26 tourist counsellors are therefore engaged in the local projects– as an example of the need for add on knowledge.

Product development and quality insurance is also vital. The quality is essential in order to build lasting client relations and to avoid the negative effect of dissatisfied customers.

As I mentioned, the utilisation of hunting and fishing rights in not new. What is part of the project, however, is to make the forest owners aware of the possibilities to sell some of there hunting rights that today is self consumed or given away for free – and to look at the pricing. This is often very controversial in local communities.

The most important part however is to look the possibilities for creating surplus value, and to develop "packages" that that ad value to the basic product.

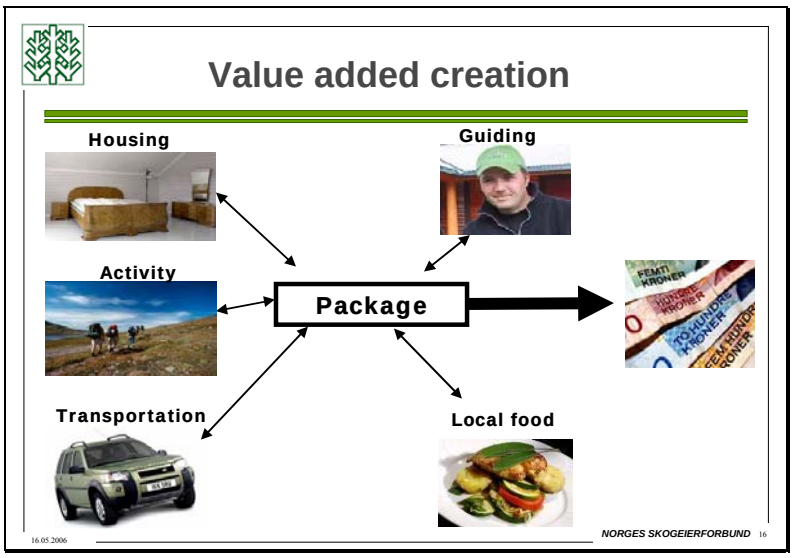

Figure 5. The main additional value creation in forest tourism comes from the whole package of added value services around the basic activity.

The starting point is the activity. Part of the work is to develop new activities based on possibilities in the nature and the consumer's demands. Experience of total darkness, quietness and isolation are "products" of ample supply in Norway.

The main part of the value creation comes however from the possible add on services. Housing, transportation, guiding, local food – these are all elements that form the major part of our estimate of the potential doubling of income based on forest tourism.

The current activities in the project are to work further on defining and describing the possibilities. The mapping of regulations restraining the potential, target important political framework and influence on changes. At the arena of competence it is to map the required knowledge, define R&D projects to improve new knowledge and to develop training courses to transfer the essential knowledge to the forest owners. At the marketing arena we map the

existing marketing activities, evaluate them and work to develop new ways and channels for marketing and sales. Using the Internet and electronic purchase and sale is part of this arena.

Another important activity is to improve the quality control and to develop a certification system tailored to forest based tourism and forest owners' "products" in this line of business.

One of the main challenges is to focus and target our efforts and business. It is vital to define target groups – and develop products tailor made for each target group. We have to focus on the consumer's needs and the market demands. We have experienced that if you build on priorities and experiences of a Norwegian forest owner you may severely miss the priorities of urban tourists – or hunters – from continental Europe. One example: traditionally the Norwegian hunting has concentrated on the meat, and you pay the hunt by the kilo of game. In other countries the meat has no priority and the trophy is the "target".

In line with this, the forest owners must find and rely on professional partners. They have to find professional partners, but this partnership must build on equality and the strength that comes from joint forest owner's effort and forest owner's co-operatives.

And most important for a forest owner: When you come from the forest and enter the tourism arena you must realise that you have become a part of the entertainment business. If you want success and make profit in forest based tourism you must engage yourself personally. The money lies in developing your own business and taking part with the whole of yourself and most often also the family. You have to be a part of the business.

The secret is to be able to combine the values of forestry and nature with the role as a host. You are not supplying just the same as every other hotel or guesthouse. You should be selling an experience that the clients feel as unique.

To briefly sum up our experience in trying to develop the full economic potential of forest holdings:

- Analyse the possible sources of income and prioritize potentials
- Build on competence and form co-operatives – utilise existing forest owners' organisations
- Seek alliances in the value chain and with the government
- Define common targets and strategies
- Innovation, promotion, business development and political framework are vital.
- You have to ask many questions – and try to find the best ways of getting the answers.

The forest is full of possibilities and values. You will always be able to develop the values further in combining sustainable development with economic activity and creating a viable and sustainable economy.

Good luck on your way to explore your own possibilities. If you want to know more about Norwegian and Nordic forest based activities, please access our common Nordic forest owners web site in English – www.nordicforestry.org.

Final Plenary Discussion

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Introduction
In the final plenary session, the three working groups presented the results from the two days of discussion. The results, in general, were organised in three parts: general findings (summary), findings for the discussion on "innovation", and finding for the discussion on "investments".

WG 1: Role of institutions in innovation and investment.
In Working Group 1, the role of different institutions was discussed for the fields of innovation and investment in forestry. The general findings of the WG, as presented by E. Hellström, were that a better communication among forest owners/foresters as well as along the forestry-wood-chain would be highly important. Stable institutional frameworks including a proper clarification of property rights are necessary for both innovation and investment in the forestry sector in all countries. However, this aspect is of particular importance for countries in transition. Innovation and investment activities depend on enabling legal and political institutional settings. Suggestions for policy makers include the need to clarify societal needs with regard to forests. Further, capacity building on the topic of innovation and investment is important in all European countries, and financial instruments would be needed to enhance innovation activities and investments in the forestry sector. In the field of research, particularly foresight work and future studies seem to be necessary.

Specific finding in the field of innovation were presented by A. Radosavljevic. Key challenges were identified as: how to promote cross-sectoral communication, how to build innovative attitudes, how to strengthen the market view, and how to provide for reasonable resources and structures. The WG further elaborated suggestions for further action on the political level and for research. Recommendations for policy-makers included the development of communication as a strategic policy tool, through which cross-sectoral communication and non-wood forest products and services should be promoted. Policies should focus more on financial incentives, human resources, integrative policies for the whole forestry-wood chain, as well as on developing market information systems and bringing together market partners. Cross-sectoral interaction should be emphasized in national forest programmes. Topics for future research include the role of forest for society such as in regard to rural development, climate change, etc. Research should provide the larger picture by showing overall trends, contexts, outside view and conducting competitiveness analyses.

K. Kaczmarek presented the following key findings for the problem of investments in forestry: Why are forests important for society and how can forestry be integrated into rural and regional development policies? Intersectoral interaction, cooperation, and coordination is of crucial significance. Equal access to funds and clarification of property rights are important issues. A stable business environment is necessary for economic development and investments in the forestry sector, particularly in countries with economies in transition. The following policy recommendations were formulated by the working group: Public institutions are called upon to create intersectoral structures, integrate forestry into rural and regional policies, facilitate favourable conditions for forestry activities. Policy should clearly recognize tasks to be fulfilled by public, by public-private partnerships and by private actors. Public-

private partnerships should share risks and responsibilities. Forestry-related activities should be presented as attractive opportunities (PR work). Knowledge sharing should be fostered through cluster or social capital approaches. Research should deal with investment opportunities and obstacles and possible upcoming future developments.

In the discussion, C. Pinaudeau suggested for a next meeting to present financial instruments that already exist in different countries, how to improve them, and how to transfer them to regions that do not yet know or apply these instruments.

WG 2: Integration of innovation and investment in forest and development polices/programmes

Working Group 2 focused on the issue of integrating innovation and investment aspects into forest policies and programmes as well as rural and regional development policies and programmes. The following general findings, resulting from the group discussions, were presented by D. Jovic: Innovation and investment generally have to be seen as market and demand driven activities, but policies provide the framework. Legal, policy and cultural frameworks are important for innovation and investment activities. Stability and security are of high importance in this respect. Furthermore, innovation and investment policies need coordination and cross-sector perspectives. Opportunities of both market and non-market goods and services should be investigated. Different dimensions have to be considered and different strategies applied: there are market/non-market goods and services, relevant public and private actors, as well as sectoral and territorial aspects. The group found that National Forest Policies (nfps) and Rural Development Policies (RDPs) may be instruments for innovation support, however, Nfps are rather seen and implemented as a duty instead of an opportunity, and RDPs are often seen as subsidy tools instead of broader policies. Policy-makers should enhance coordination and co-operation between forestry and relevant sectors such as tourism, nature conservation, health industry, and, of course, wood-based industry. As the coordination between the sectors seems to be crucial, communication and information have to be fostered.

The results regarding the policy integration of innovation, as presented by A. Knieling, were that nfps and rural development programmes are potentially useful tools if they are used by policy-makers not only as a "duty" or "subsidy tools" but as broader instruments to promote innovation in the sector. Policy makers were addressed to develop innovation strategies for the sector, to facilitate interactions across sectors and to use nfps and rural development programmes as "innovation tools". Cross-sectoral communication and market-information are important for promoting innovation and the development of new goods and services within forestry. Open processes should be integrated into rural development programmes. Research should identify potential demand in order to define potential new business fields of forestry in which innovation activities should be invested ("find demand and act").

A. Bauer presented the group work results in the field of integration of investment. It was stated that specific conditions are found for investment in forestry: long-term orientation, fragmentation of ownership, etc. Many of these conditions are unsupportive of investments (just as for innovation). Stable legal and economic framework conditions are the basis for a prospering sector. Different investment strategies have to be employed with regard to different dimensions – market/non-market, public/private, or sectoral/territorial goods and services. The following actions were suggested for the policy level: policy makers should enforce investment strategies, enhance public-private partnership models and invest into new markets. Capacity building is another keyword. With regard to research needs, the group

suggested that researchers should help identify new markets or potential business fields and that science should be better integrated into political processes.

As an introduction to the following discussion, A.I. Sletnes remarked that cooperation, coordination and communication were mentioned several times in presentations – these topics seem to have particular importance. G. Weiss wanted to add to the suggestion for the scientific community to take part in political processes; another suggestion to policy-makers that scientists should also be invited to take part.

A. Knieling emphasized that rural development programmes are also instruments for changing the minds of people. One cannot act without considering the people. E.g. the Leader programme is newly included into the rural development programmes: by this, local networks could be provided, maybe also in larger areas than regions, maybe even on national level.

E. Rametsteiner remarked to the suggestion for research "to find demand and act" that a lot of demand is already found but there is no action in practice, also by policy-makers. E.g. there is a clear demand for environmental services and there is a need for the policy-makers to act. Rametsteiner asks what is the view of policy-makers and interest groups in this regard? As an answer to this question, N. Hufnagl confirmed that this is a crucial question. We know, due to globalisation that the capacity of pure timber production will decrease. There is a lot of research on non-wood forest products and new opportunities may be developed. But maybe the need is not yet big enough? In the field of bio-energy policy-makers suddenly provided incentives to develop this field. The governments would also have to create markets for other non-market benefits. E.g. Costa Rica (the World Bank example by G. Dieterle) gives money to land owners for watershed management. This could also be done through the EU water directive, but it isn't. Also responding to E. Rametsteiner's remark, P. Borkowski stated that policy-makers formulated goals in previous conferences; it is now time for making assessments, and policy-makers will come up with new questions. The upcoming meeting on policy-science interface will be relevant in this respect. This would be an opportunity for science-policy communication.

WG 3: Cooperation, Innovation and Investments – Forest Owners Perspective

Working Group 3 dealt with the topics of cooperation, innovation and investment, particularly from the perspective of forest owners. The general findings were presented by A. Lengyel. There is a strong need for building partnerships and alliances across sectors. Consumer needs are a key factor for market demands and the consideration of both are crucial for successful innovation and investment activities. Policies should be oriented at enabling legal, institutional and political environments and it is important to invest in human capacity. Research should collect good examples and disseminate information on positive lessons (applied science). The role of different stakeholders, e.g. the forest owners' organisations and cooperatives should be studied. More market research seems important in this regard as well.

With regard to cooperation and innovation, the following specific demands were formulated by the group (and presented by A. Lengyel): Recommendations for policy-makers included: Cooperation should be initiated on local and regional level. It should be driven by the group to which it is addressed. Cooperation should be based on a partnership approach with balanced powers. Cooperation is conditioned by real needs. A common vision is necessary as a basis for successful cooperation. Externalities billed to forest management should be recognised in cooperation initiatives. Cooperation should be promoted by enabling legal environments and sufficient financing options shall be provided. Research should undertake case studies of success projects. Successful examples of innovations and cooperations might motivate to

become active and demonstrate viable development options. Applied research is encouraged to focus on information collection and dissemination to foster market access.

O. Barreiro Mouriz presented specific results with regard to investments. It is seen to be important to identify partners and alliances along the value chains, be it in the field of traditional forest products (wood) or new goods and services (tourism, etc.). In the development of new businesses a strong focus on consumer needs and market demands is important. Expert knowledge has to be integrated. Furthermore it was emphasised that the focus on sustainable forest management should not be lost in alternative business activities. On the policy level, the group emphasized the importance of flexibility of laws and holistic approaches. Research should study the role of forest owners associations and cooperatives in investment support, e.g. in new market fields. Market research is seen as a major research field of the future.

I. Korsbakken added an aspect that came up in the discussions during lunch that we should look at the links between different activities or income sources: These links can be very different (not just so simple as that tourism helps forest management): wood production and bio-energy and tourism etc. can be linked in different ways. There are positive effects from the connection of multiple activities. Policies should make easier the combination of different activities. One use should not be replaced by another.

G. Weiss remarked that the wording with regard to the "flexibility of laws" should be changed as nobody (hopefully) wants a flexible law but what is meant is probably that the legal framework allows flexible use of the forest resource. S. Schenker agreed and added that a flexible legislation is needed. Whenever you start a new activity there is always a paragraph that is against it. This issue should be seen as an important field for research. How far do legal regulations hamper the development of new products and services, and how could the legal frameworks be improved in this regard to allow or support innovations? O. Barriere-Mouriz agreed and so did A. Lengyel. With regard to Korsbakken the latter remarked that the combination of activities emerge more and more. New frameworks are needed that allow success stories to spread quickly. G. Weiss added that this phenomenon is something that is known from innovation research – really new things have to fight with a social-political-legal environment that does not support them. Institutions (i.e. social norms and legal rules) usually are conservative and not supportive for changes. It is a normal challenge for innovators to deal with unsupportive environments. What would be needed are policy processes that are flexible to take up new developments/new ideas and incorporate them into new policies. Following up Schenker, E. Rametsteiner remarked that the surveys undertaken in course of the EFI PC INNOFORCE show that legal frameworks are not the only or most important hampering factor for innovations. If you ask the forest managers, they state more important issues than this, e.g. lack of information and questions of financing. However, from the case studies conducted in INNOFORCE , we see that legal questions may be in certain cases an important hampering factor. Certain regulations may block developments. What is missing and what would be interesting would be a short-list of most impeding paragraphs. That could be a task for research.

The discussion was closed.