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Public support for forestry from EU funds – Cases of Czech Republic and Slovak Republic



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ABSTRACT

Rural development policy in the European Union (EU) has been implemented through different instruments. This paper is focused on support for the forestry sector from the EU funds in the years 2004–2006 in two EU Member States – Czech Republic (CZ) and Slovakia (SK). The comparison of support for forestry activities from the EU funds, delivered through the implementation of National Operational Programmes, showed differences at country level. Both countries had the opportunity to apply for support based on common EU policy, but they were able to select measures that reflected their specific needs and priorities at national level. Within Operational Programmes the following indicators were evaluated: description of forestry measures, financial support, number of

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applications, beneficiaries, outcomes and impacts. The comparison of financial support showed that the greater part of support in SK was granted to non-profit investments, whereas in CZ into profit making investments. The main difference was in the interest shown by applicants for support. In CZ nearly 80% of submitted applications were approved compared to 59% in SK. The analysis showed that the main reason for differences in utilisation of available sources was that different principles were applied when selecting supported measures or defining the activities to be supported within the measure.

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Introduction

Since 1997, forest policy has been considered an integral part of the European Union (EU) policy on rural development (Elands and Wiersum, 2001). Rural development policy in the EU has been implemented through a range of instruments. The rural development policy during the programming period 2000–2006 was implemented through three different approaches, depending on the country status (EU member or associate country): Special pre-accession assistance for agriculture and rural development (SAPARD), Rural Development Plans (RDP), and Sectoral Operational Programmes (SOP) Agriculture and Rural Development (EC Directives No. 1260/1999 and 1257/1999). SAPARD was used during that period in countries with pre-accession status (until 2004 also in the Czech Republic and Slovakia). In EU Member States rural development policy was implemented at the national or regional level through Rural Development Plans and Sectoral Operational Programmes Agriculture and Rural Development. The main financial instrument in rural development policy in the period 2000–2006 was the European Agricultural Guidance and Guarantee Fund (EAGGF).

After 2004, when 10 further states joined the EU, the forested area covered 160 million hectares of the EU-25 with an average forest cover of 42%. The EU forestry sector was composed of 350 thousand enterprises which employed approximately 3 million people. The average size of a private-owned forestry property was 13 ha, while the publicly owned one was 1000 ha (Eurostat, 2007).

Within the EU, the Czech Republic (CZ) and Slovakia (SK) represent countries whose forest cover is on the edge of the European average forest cover. In 2005, forests in the Czech Republic covered an area of 2653 thousand hectares – 33.6% of total area (Ministry of Agriculture, 2006). Slovakia at the same time had forest land area of 2170 thousand hectares, which represents 40% of the total area (Šmelko et al., 2008).

CZ and SK are two very close states, nationally, geographically and linguistically. They were interconnected historically, too, and in 1918–1992 (except during World War II) they were in one state. Their common history has been long – and that concerns the forestry sector as well – foresters' education, conditions and management of the whole sector. The common Forestry Act from 1977 was applied later in both successive states; until 1996 in CZ and 2005 in SK. Even the very recent history has been similar. Both states acceded to the EU on the same day (May 1, 2004). This has led to an assumption that all of these common factors have similarly influenced decision makers in forest economy in both states in the context of both EU accession and in the subsequent exploitation of European funds. It is also emphasised by the fact that both states acceded to the EU under the same time stress in the middle of the programming period 2000–2006, and therefore were pressed to fulfil all criteria set for the period.

The EU has set the programme evaluation as an indispensable component of the subsidy policy. For the evaluation of programmes' and projects' financed from the EU funds, the European Commission produced the following guidelines: "Evaluation Methods for the European Union's External Assistance, Guidelines for Project and Programme evaluation" (European Commission, 2006), which sets out the principles applied in every member state. The evaluation methods of the European Commission are

primarily focused on the quality of projects, suitability of programmes, cohesion of various EU funds and effectiveness of completed actions at the national and EU level. However there are also factors which influence rural or forestry policy and which are not covered by the EU's evaluation methods. These factors, which are the subject of various scientific studies exist (Buttoud, 2006), include promoting multifunctionality, socio/economic impact of forestry on rural development, or bureaucratic burdens of the EU financial instruments (Bisang and Zimmermann, 2006; Ramniceanu and Ackrill, 2007; Slee, 2006; Scheeder et al., 2002).

Evaluations of public financial incentives for the forestry sector in the Czech Republic and Slovakia were carried out by Šálka (2004), Šulek (2000, 2004), Kolenka and Pulkrab (2002), Šálka et al. (2006), Šišák and Chytrý (2004). Jarský (2007) evaluated the subject analysis of the forestry measures from the Operational Programme Rural development and multifunctional agriculture following from the interim evaluation and recommended the reallocation of funds within the sub-measures for the remaining years of the programming period. Šálka (2006) evaluated the effectiveness of financial support for forestry from national sources using policy analysis. He evaluated compensation payments for management restrictions and came to the conclusion that the financial incentives were ineffective due to the lack of disposable funds, high administrative burden and complicated formula for calculating compensation.

The main goal of this article is an analysis of the implementation of forestry support measures in accordance with Council Regulation 1257/1999 in 2004–2006 in CZ and SK.

Method

To identify similarities and differences in national operational programmes, and their implementation at country levels, three methods were combined.

1. Evaluation of the financial support to forestry from the EC at the national level was performed with document analysis of:
 - Treaty of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic.
 - Council Regulation (EC) No. 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and the amendment and repeal of certain Regulations.
 - Council Regulation (EC) No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds.
 - Council Regulation (EC) No. 1263/1999 of 21 June 1999 on the Financial Instrument for Fisheries Guidance.
 - Commission Regulation (EC) No. 445/2002 of 26 February 2002 laying down detailed rules for the application of Council Regulation (EC) No. 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).
 - Commission Regulation (EC) No. 963/2003 of 4 June 2003 amending Regulation (EC) No. 445/2002 laying down detailed rules for the application of Council Regulation (EC) No. 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).
 - Plan of Rural Development in the Slovak Republic.
 - Sector Operational Programme Agriculture and Rural Development (SOP PRV).
 - Horizontal plan of Rural Development of the Czech Republic.
 - Operational Programme Rural Development and Multifunctional Agriculture (OPZ).
2. Basic description of forestry measures based on country reports prepared on the basis of common terms of reference where literature review was used. The principal analysed documents that mediated the financial flows in accordance with Council Regulation 1257/1999, are OPZ and SOP PVR. Within that the following indicators were evaluated: description of forestry measures, financial support, number of applications, beneficiaries, outcomes and impacts.

The methodical frame is based on policy evaluation according to Taylor et al. (2001), Forstner et al. (2003) and Buttoud (2006). This approach was used in the evaluation of forestry measures for

both operational programmes (Pulkrab et al., 2006; NLC, 2007) which was one of the data sources for this paper.

3. Telephone interviews with people involved in the drafting of forestry measures contained in the researched operational programmes. The interview questions concerned the gathering of facts about the preparation of Operational programmes.

Results

In accordance with Council Regulation 1257/1999 rural development support could have been applied using up to 11 areas, of which only one was specific to forests; development of sustainability in the forest economy. Within this measure three targets for support were identified: sustainable forest economy and forestry development, preservation and improvement of forest resources, enlargement of afforested areas. These targets were elaborated in the following sub-measures:

1. afforestation of land (not farmland) provided the planting is adjusted to the local conditions, and the whole operation meets environmental protection requirements,
2. investments in forests designated for a distinctive improvement of their economic, ecological or social value,
3. investments in improvement and rationalisation of silviculture and forest protection, harvesting, primary raw wood/non-wood produce processing and marketing,
4. expansion of markets for forest products,
5. foundation of forest owners' associations that help their members improve sustainable and efficient forest management,
6. recovery of forest potential which has been damaged by natural catastrophes, and the implementation of adequate protection and prevention measures.

The targeting of support was being decided on – at national level – via the bottom-up principle; the Ministry of Agriculture's forestry section officials approached experts from forestry institutions with lists of priority proposals, eligible for the EU support. The fact that both the states were eligible to receive European funds for the first time as fully acceded EU members, presented an opportunity for their mutual cooperation. However both chose to design their national programmes and apply for support without collaboration.

Comparison of forestry measures

SOP PRV and OPZ had a similar structure that consisted of a small number of priorities (two in SK: support of productive agriculture; support for sustainable rural development, and three in CZ: support for agriculture, agro-processing and forestry; rural development, fisheries and vocational training; Technical assistance) and seven measures. Forestry measures are shown in Table 1.

Support of forestry is generally possible using six sub-measures (EC 1257/1999). The individual sub-measure utilisation is shown in Table 2.

CZ followed a strict interpretation of the Regulation and, in its operational programme, utilised the measures contained in the Regulation (sub-measures 1, 2, 5 and 6), i.e., 4 out of a possible 6. Measure 3 was not used, as the officials from the Ministry of Agriculture (MA) and other experts deemed it as contradictory to the competition principle because support was only available to private owners. Measure 4 was also not used, as the MA officials did not fully understand the substance of this point, or rather – the sub-measure was declared not applicable in CZ. The national support of owners associations has had a long tradition in CZ therefore Measure 5 was not considered for use in the Programme at first. However, with the encouragement of the Commission it was eventually selected for use in the Programme – to emphasise the importance of forest owners collaborating. Nevertheless, it was designed to only support the establishment of new associations, not the maintenance of those already in existence, which were supported from national sources. In SK two sub-measures were proposed, not directly corresponding with sub-measures set out in the Regulation, but which separated (using different co-financing rates) forest management activities into profit making and non-profit making

Table 1

Comparison of EAGGF supported forestry measures.

	CZ	SK
Priority	1. Support to agriculture, processing of agricultural products, and to forestry	2. Support to sustainable rural development
Measure	1.3 Forestry	2.1 Sustainable forest management and development of forestry
Sub-measure	1.3.1 Recovery of forest potential damaged by natural calamities and implementation of adequate protection and prevention measures	2.1.1 Investments for the improvement and rationalisation of silviculture and forest protection, harvesting, primary raw wood/non-wood produce processing and market (profit making investments)
	1.3.2 Investments in forests	
	1.3.3 Forest owners associating	2.1.2 Public investments – non-profit investments
	1.3.4 Afforestation of areas no longer cultivated for agriculture	

Table 2

The implementation of sub-measures according to Council Regulation (EC) 1257/1999.

Sub-measure according Council Regulation (EC) 1257/1999	CZ	SK
1. Land afforestation	+ (non-profit)	–
2. Investments in forests	+ (profit)	+ (non-profit)
3. Rationalisation of harvest, primary raw wood/non-wood produce processing and market	–	+ (profit)
4. Expansion of selling markets	–	–
5. Forest owners associating	+ (profit)	–
6. Recovery of forest potential	+ (non-profit)	+ (non-profit)

Remarks: +, the sub-measure was implemented; –, the sub-measure was not implemented; profit, implemented within profit making investments; non-profit, implemented within non-profit investments.

investments. One of the reasons for taking this approach was that the same subdivision had been made in SK during the preaccession period within the SAPARD programme. The profit investments included supports listed in the third sub-measure, while non-profit investments comprised activities listed in Regulation sub-measures Nos. 2 and 6.

The classification of sub-measures into profit making or non-profit investments is returned to later on in the analysis. In accordance with the Regulation 1260/1999, profit making investments could be supported up to a maximum contribution of 50% of eligible costs (35% from EAGGF, 15% national funding), while non-profit investments could be supported up to a maximum of 100% of the eligible costs (75% or 80% from EAGGF, up to 25% from national funding).

Profit-making investments

When looking at profit making investments, in both countries the sub-measures which could have been supported were: in Slovakia sub-measure 2.1.1 – *Profit-making investments*. Within this sub-measure the following activities could be supported: Investments to improve and rationalise harvesting, manufacturing and marketing of forest products (obtaining of ecologically appropriate machinery, equipment and technologies for cultivation and storage of forest reproduction material, etc., reconstruction and modernisation of technology in forest nurseries and handling-storage depots, technology for examination of forest condition and tree wood volume (inventories), and for designing forest management plans, for construction, finalisation, reconstruction, and rebuilding of forest roads. The final beneficiaries could be private forest owners and/or associations, forest users and/or their associations, communities and/or their associations, owners or users of patrimonial forests and/or their associations, or private enterprises (natural persons or corporate bodies) providing forestry services where the state-owned share is less than 50%.

In the Czech Republic the relevant sub-measure was 1.3.2 – *investments to forests*. Within this sub-measure the following activities could be supported: construction, modernisation or reconstruction of forest roads network, arrangements for improving water regime, activities targeting management of forest based recreation (construction of hiking trails including cycling trails, etc.), obtaining machinery and equipment for maintenance and repairs of forest roads, trails and paths, for maintenance and cleaning of water bodies and forest drainage, and obtaining ecological technologies to be applied in forestry.

The potential beneficiaries included forest owners or lessees. In cases where the forest was not owned by the state or a region, subjects established participation of the community(ies) through a joint stock company, limited liability company, or a general beneficial company where the stakeholder is a community and/or association with a legal entity as the owner or lessees.

This represents a considerable difference in the definition of a potential beneficiary in the countries studied; in SK the beneficiary could be a private enterprise providing forest services to others and part-owned by the state up to a maximum 49%, whereas in CZ any investment supported under sub measure 1.3.2 could not be paid to an enterprise providing services to other forest owners.

CZ sub-measure 1.3.3 – *Associations of forest owners*: This sub-measure was designed to support the establishment and building of capacity necessary for the administration of the associations' activities, including information technology and such items of equipment necessary to facilitate work of the associations in next 5 years. This sub-measure does not make profit directly, but a contribution to the associations running costs could potentially yield savings in the expected administration costs for the association and these savings could be used to finance new investments that generate profit. Because of this the sub-measure was listed as being profit making. It also correlates with the requirement in EC 1257/1999, that the support for owners associations should not exceed 50% of the total eligible costs, i.e., the same as any other profit making investment.

The beneficiary for sub-measure 1.3.3 could be an association which was already in existence, which had not received any support so far for establishment and which united at least 10 forest owners with at least 150 ha of forest properties. In these circumstances the association could include in its membership an enterprise established by a communal authority (like a joint stock company, company with limited liability, etc.) and eligible costs were limited to €300 000 per beneficiary during the programming period.

In Slovakia, the sub-measure supporting forest owners associations was not utilised at all.

Non-profit investments

The non-profit investments in Slovakia were supported under the sub-measure 2.1.2 – *Public beneficiary investments* and the following activities could be supported; recovery of forest production potential damaged by natural disasters and fires (abiotic factors) as well as the implementation of appropriate preventative measures, investments into significant improvement of ecological and social forest values – realisation of improving measures in forests damaged by pollutant emissions, regeneration of forest stands, protection, cultivation, and treatment of forests damaged by biotic factors or in mountain regions with the aim of improving their biological diversity and decreasing the risk of soil erosion, cultivation of forests in regions where the costs exceed the incomes from production or where the public interest requires it, construction or finishing, reconstruction or rebuilding of forest roads.

The following types of beneficiaries were eligible for support: private forest owners or associations thereof, forest users or associations thereof, owners or users of patrimonial forests and state forest enterprises.

In the Czech Republic the corresponding sub-measure was 1.3.1 – *Recovery of potential for forests damaged by natural catastrophes and fires*, and introduction of adequate protective and preventive measures. Eligible activities were: protective measures to mitigate or decrease damage caused by catastrophes in forests, particular measures during catastrophes caused by biotic and abiotic factors, reconstruction of damaged forest stands, and forest regeneration after salvage cut, flood prevention on small water courses and their basins, flood damage mitigation.

The beneficiary could be a forest owner or lessee (legal and physical body, entrepreneur and non-entrepreneur), public forest owner, forest owners association with legal identity representing forest owners or users.

Table 3

Resources allocated to individual sub-measures in €.

	Sub-measure (€ 2004–2006)	Public support	Out of it		Private sources of applicant	Total
			EU	National		
CZ	1.3.1	3 325 470	2 660 376	665 094	–	3 325 470
	1.3.4	1 306 980	980 235	326 745	–	1 306 980
	Non-profit invest. Σ	4 632 450	3 640 611	991 839	–	4 632 450
	1.3.2	7 682 803	5 377 962	2 304 841	7 682 803	15 365 606
	1.3.3	59 559	41 691	17 868	59 559	119 118
	Profit-making invest. Σ	7 742 362	5 419 653	2 322 709	7 742 362	15 484 724
	Total	12 374 812	9 060 264	3 314 548	7 742 362	20 117 174
SK	Non-profit 2.1.2	8 150 834	6 434 868	1 715 966	428 991	8 579 825
	Profit-making 2.1.1	4 356 135	3 049 295	1 306 840	4 356 135	8 712 271
	Total	12 506 969	9 484 163	3 022 806	4 785 126	17 292 096

In CZ it was possible to reimburse up to 100% of eligible costs whereas in SK the co-financing from the beneficiary's own sources was always 5%. State subjects could also receive the support within this sub-measure.

Further, in CZ, *sub-measure 1.3.4 – Afforestation of unused agricultural land* was also made available. This sub-measure could support afforestation as well as tending of young trees until the forest stand was established. The beneficiary could represent the property owner (including communities and subjects established with participation of a community), if the property were not owned by the state or a region. This support was set as payment per hectare. In the same way as in the previously described sub-measure, 100% of the eligible costs could be reimbursed with the contribution from the state budget being 25%. Support for individual projects was limited to €600–300 thousand (the amount of 300 thousand € was the maximum support per one beneficiary for the whole programming period).

The reasons why some activities were not included in operational programmes at national levels may be connected to the detail of the eligibility criteria in the EU regulations (for example; the principle of voluntary participation in the operational programme, subsidiarity, or support of an activity from only one source). In CZ national support for forest management has a long established tradition (falling within the competence of regional councils), therefore, for example the support for silvicultural operations was left at the national level with out the complication of a funding contribution from EAGGF.

Comparison of financial support

Both analysed documents also included a financial plan for each measure. These comprised planned allocation of financial resources whereas the actual reimbursement of proposals followed the rule $n+2$ ("automatic decommitment") that is the need to reimburse the approved proposals within the period of 2 successive years following the end of the programming period, in this case by the end of the year 2008 (Article 31.2 of the Regulation no.1260/1999: The Commission shall automatically decommit any part of a commitment which has not been settled by the payment on account, or for which it has not received an acceptable payment application, as defined in Article 32(3), by the end of the second year following the year of commitment). Though the exchange rates of both national currencies had been changing considerably during the period, the financial allocations are presented in Euros (€) and common prices of the year 2004. The allocated financial resources are presented in Table 3.

Table 3 clearly shows the importance of the applicant's own financial participation – needed in most cases to access support from public resources. When we compare the total allocation of financial support in each country, the amount allocated in CZ exceeds the total in SK by €3 million. That figure is entirely accounted for by contributions from CZ applicants own resources. When we express the total allocation of funding in terms of the notional amount available for each hectare of forest, the support is 12% higher in SK (SK: 8.6 €/ha, CZ: 7.6 €/ha). The total national funding, i.e., from the

Table 4

Planned allocation vs. actual payments (€).

	Sub-measure	Allocation of public support	Required amount as % of allocation	Approved amount as % of allocation
CZ	1.3.2	7 682 803	107.65%	86.95%
	1.3.3	59 558	0.00%	0.00%
	Profit-making invest. Σ	7 742 361	106.82%	86.29%
	1.3.1	3 325 470	131.61%	91.31%
	1.3.4	1 306 980	20.69%	18.48%
	Non-profit invest. Σ	4 632 451	100.32%	70.76%
	1.3	12 374 812	104.38%	80.47%
SK	2.1.1	4 356 135	125.82%	91.03%
	2.1.2	8 150 834	238.45%	99.89%
	2.1	12 506 969	199.22%	96.80%

Note: The amount of approved support was always evaluated in national currencies, for the purpose of comparison they were converted to EUR (the exchange rate 28.616 CZK/EUR was used in the Interim evaluation in CZ, 38 SK/EUR in SK).

government, in both countries is similar (in absolute numbers); but when re-calculated for the notional funding available on each hectare of forest land, the Slovak national funding substantially exceeds the Czech – it is higher by 25% (SK: 6.2 €/ha, CZ: 4.7 €/ha). The most fundamental difference lies in the preferences in each country's operational programme for the support of either non-profit, or profit-making, investments. SK clearly focuses on non-profit investments (65% from public support), while CZ concentrates primarily on profit-making investments (63%). This is, to a certain extent, influenced by the proprietary structure of forest ownership. In CZ, 60% forests are owned by the state (50% by one entity – forests of the Czech Republic, state enterprise), while in SK, more than 50% forests are privately owned.

The allocated support, however, represents only the planned maximum amount of support available. The amounts actually paid to beneficiaries are presented in Table 4.

Table 4 shows that the demand for support was higher than the planned allocation of public resources. In CZ the differences are only slight, whereas in SK it was nearly twice as much. The common feature was that for non-profit investments there was always much more demand for financial support than was allocated (in Slovakia the excess was very significant). However, if afforestation of agricultural land in CZ is included, where demand amounted to only 20% of allocated resources, then the requirement and allocation are in balance. The allocation to profit-making investments was apparently well matched with the demand from beneficiaries. The allocation for support to forest owners associations seems to have been very unattractive to beneficiaries and it remained totally unused.

The comparison of financial support shows that demand for support in Slovakia was around 100% higher than the amount of support allocated, whereas in CZ the difference between the demand and allocation was relatively insignificant. In both countries the demand for funding of non-profit making projects was considerably higher than the planned allocation. Because some applications were refused, because of insufficient fulfilment of eligibility criteria, the amount paid out is actually an understatement of the demand for funding from the forestry sector. In SK almost all allocated funds in individual sub-measures were used. However in CZ, the final approved financial support was lower than the planned funding allocation. In order to avoid returning the unused portion of the allocated resources, the rules allowing transfer of finance between not only sub-measures but also between single measures were utilised. By that means the unused resources in CZ, from support for afforestation and forest owners associations, were transferred to the sub-measure concerning the recovery of forest potential, and unused resources from measure 1.3 *Forestry management* were transferred to measure 1.1 *Investments into agricultural property and agricultural enterprises*.

Comparing the planned funding allocation for forestry measures to the planned funding allocation to agricultural measures, we find the situation in both the countries was the same (4.94% in CZ, and 4.89% in SK, of planned operational programme funding allocated to forestry measures).

Applications

The demand for the sub-measures can be analysed in terms of the number of submitted applications.

Table 5 shows that the greatest interest was in the sub-measure *Investments into forests* in CZ whereas in SK applications for non-profit investments prevailed. In total, 10% more project applications were submitted in SK than in CZ. The table also shows that no one applied for support for forest owners associations (1.3.3).

Table 5 also shows the approved applications (supported realised projects) as well. From this analysis we see that in CZ nearly 80% of submitted applications were approved compared to 59% in SK. However, even the high % of successful Czech applications did not fulfil the expectations set out in the operational programme, as the expected number of supported projects was nearly twice as many as actually materialised. The Slovak operational programme did not set the target amounts (like number of supported projects). On average, the applicants in CZ asked for project support of about €60 thousand per application, and about €105 thousand in SK.

When planning support allocations there was also the imposition of a limit of total support per beneficiary in the programming period in CZ. This was important, especially for non-profit investments, as state forest enterprises could also be supported. Although this maximum limit on funding seems quite high it is important to remember that the largest state forest enterprise (Forests of the Czech Republic) manages more than a half of all Czech forests, and thus the limit was a significant one for them. It substantially restricted the number of applications submitted by the state forestry enterprise, and therefore also restricted the total number of applications.

Another reason why the number of submitted application was lower in CZ seems to be the fact that, unlike SK, forestry activities had not been supported in the framework of the SAPARD preaccession programme. This meant that Czech forest managers were unfamiliar with the practical aspects of accessing European support and may have been discouraged by their first encounter with seemingly complex administrative procedures.

Outcomes and impacts

The outcomes discussed above were the result of fundamental decisions made at the national level, i.e., what principles should be used in guiding the process of accessing European funds for the support of the forestry sector. In CZ the development of the operational programme seems to have been guided by the following principles; cautious interpretation of the requirements of EU Regulations, placing responsibility on the applicant, efficiency in the use of resources, and emphasis on not disrupting the domestic market environment. The application of these principles was responsible for the distinctive CZ orientation towards profit making investments. These principles help to explain why some measures, potentially eligible among non-profit investments (and with a higher maximum % payment to beneficiaries for eligible costs, and a larger contribution from the EC) were instead categorised as profit making investments. The support for profit making investments' placed a significant responsibility with applicants since they had to provide match funding for at least 50% of the project costs. Preliminary caution in operating programme expenditure also played a role because it reduced the risk of co-financing being reclaimed if, after some future audit, the EC declared any payments ineligible for EAGGF support. The efficiency principle was reflected in the effort to allocate support to as many applicants as possible (rather than maximise support for the first few applicants). The principle of not disrupting the market environment was followed through by not including the third sub-measure of the Regulation in the operational programme, and also by the decision not to support the purchase of technologies that could be used by entrepreneurs in offering services to other forest owners.

In SK, the fundamental principles followed led to the development of an operational programme which; attempted to provide beneficiaries with access to the maximum available EAGGF contribution, while financially burdening the applicant as little as possible. As a result, non-profit investments prevailed in the SK operational programme, and eligible activities were sometimes identical to those which, in the CZ operational programme, were classified as profit-making and supported with payments of no more than 50% of eligible costs.

Table 5
Numbers of applications (number, €).

	Sub-measure	Number of registered applications	Expected number of realised projects	Number of approved applications	Approved applications as a % of expected applications	Approved applications as a % of registered applications	Required amount per application	Approved amount per application
CZ	1.3.1	58	100	43	43.00%	74.14%	75 460	70 615
	1.3.2	133	200	109	54.50%	81.95%	62 183	61 289
	1.3.3	0	10	0	0.00%	–	–	–
	1.3.4	24	–	19	–	79.17%	11 268	12 713
	Total	215	–	171	–	79.53%	60 081	58 237
SK	2.1.1	56	x	44	x	78.57%	97 869	90 125
	2.1.2	180	x	96	x	53.33%	107 976	84 808
	Total	236	x	140	x	59.32%	105 577	86 479

Table 6

Allocation of support to different types of project (profit making investments).

Type of investment	CZ	SK
Machinery purchase	64.22%	90.27%
Construction and reconstruction of forest roads	22.94%	3.54%
Investments in nurseries and conversion depots	–	6.19%
Water regime regulation	11.93%	–
Recreational activities promotion	0.92%	–

Table 7

Machinery purchase – % of the different types of machinery.

Machinery's function	CZ	SK
Skidding	47.14%	16.67%
Timber hauling	10.00%	30.39%
Timber felling	18.57%	12.75%
Other	24.29%	40.20%

As an illustrative example, there follows a comparison of utilisation of sub-measures for profit making investments in both countries:

As mentioned above, in the activities supported by payments, typical profit making investments can be compared by examining the focus of the individual supported projects (after a certain simplification and grouping of selected items). [Table 6](#) shows the allocation of different types of profit making investment within the total number of supported projects in both states.

The table shows that almost all SK projects focussed on the purchase of machinery (more than 90%); in CZ machinery purchase accounted for about 2/3 of all projects. It is true, though, that some roads (described as fire control roads) were included among non-profit investments in SK, as was the support of water regime regulation. Therefore, the comparison is valid especially in the Machinery purchase category. The details are presented in [Table 7](#).

Leaving aside the last item (other – where incomparable machinery was placed; for example in SK off-road vehicles or computers), it is interesting to see that in CZ, most machinery purchased from EU support was for skidding (various types of tractors), while in SK, it was for timber hauling. The main reason is that in the CZ operational programme, no machinery (bought via EU support) could be used to provide services to other forest owners. In SK, this rule was not applied.

Discussion

The afforestation of agricultural land was supported only in the operational programme for CZ. However eligibility of land for afforestation was limited to hectares which had been set-aside from agricultural production for at least 3 years. For this reason the measure was titled “Afforestation of agriculturally unused land”. Less restricted EU funding provided support for afforestation of agricultural land in both countries and also utilised EAGGF like all the measures dealt with in this article. However in these instances the funding came from the guarantee section of EAGGF rather than the support section. This support was not implemented through the sector operational programmes discussed here but instead through the Horizontal plan for rural development in CZ in 2004–2006 ([Ministry of Agriculture, 2004](#)) and the plan for rural development 2004–2006 in Slovakia ([MPSR, 2004](#)). Both of these documents dealt with the support for afforestation in a similar way, providing a flat payment per hectare for first afforestation of agricultural land, then 5-years of annual payment for stand maintenance and 20-years of annual income forgone payments to farmers for abstaining from agricultural production on the afforested land (according to guarantee section of the EAGGF rules).

Support to associations of forest owners was only offered in CZ, though the interest was practically zero. There appear to be two reasons for that. Firstly, it was the list of restrictions placed on eligible beneficiaries so that they had to be associations with a formal legal identity, which had not previously received any support for establishing the association, which had at least 10 members on the date of

application submission, with members land covering a minimum of 150 ha of forest. The unexpected obstacle consisted not in the 10-member limit but in the legal identity of the association (Jarský, 2007). Most owner associations in CZ, at that time, had no legal incorporation and so they did not fulfil the eligibility requirement. The second reason was the fact that in both countries there were existing national resources that already provided this support and it was successfully being utilised by the forest owners associations.

When we compare the situation in CZ and SK concerning the amount of support actually paid out to applicants, we encounter serious limitations in our analysis caused by changes in the Euro exchange rate during the period. In CZ, the value of the CZK strengthened by approximately 22% in the period 2004–2008, with the steepest (12%) increase in 2006–2008. The situation was similar in SK, but on January 1, 2008, Slovakia joined the Euro zone and the exchange rate was set by law (Act 659/2007 on introduction of Euro currency) at 30.126 SKK/€. For an international comparison of the actual support paid to applicants it is not possible to use a fixed rate SKK/€ as was applied in comparison of allocated funds. If the rate valid at the time of planning the allocation was used then the results would be very misleading as the support was paid out in national currencies, not Euros, and moreover the payments were made after all the eligible work was completed. For this reason project expenditure in 2006 might only be reimbursed in 2007 or 2008 (following the rule $n + 2$). Similarly, historic average annual exchange rates cannot be used to compare the situation in CZ and SK because the process of certifying expenditure in EAGGF operational programmes meant that gross payments to beneficiaries were assigned a Euro exchange rate each month and co-finance was then drawn down for that month, by the national Ministry of Finance, on the basis of that exchange rate. Also it is important to be aware that the certification process for support to beneficiaries, which must be completed before finances were transferred from EAGGF to national states, was performed as the next step after paying out the support from national budgets. This delay could, in some years of the period examined; result in the total reimbursed support to applicants in national currencies not corresponding to the finances certified in that year. In CZ, this situation occurred in 2007 and 2008 when a part of the amount actually reimbursed to beneficiaries was certified in the following year. Using the previously mentioned monthly exchange rates, it is possible to compare the countries and show the accurate amount of certified finances paid out from public budgets. The details are presented in Table 8.

The fact that, in the period 2004–2006, neither country was a member of the Euro zone was very significant. It caused serious problems in the financing of operational programmes as national currencies strengthened in relation to the Euro. The financial support was paid out to beneficiaries in national currencies (mostly as a percentage of total eligible expenditure) regardless the exchange rate of Euro to Koruna, after the work was completed (respecting the rule $n + 2$). It is very difficult to identify the precise reasons for the differences between the two countries in the use of EU funds in supporting forestry development. Possible reasons for prioritisation of profit making investments in CZ are discussed above in the guiding principles for the development of the operational programme. The principle of placing responsibility with the applicant for sourcing funding was identified as the major reason for prioritising profit making investments. The applicant had to participate with a substantial contribution to the entire investment, which consequently ensured significant interest from the applicant in the effective use of support. On the other hand, this decision to support mainly profit making investments created the opportunity to support a higher number of applicants – but with a lower intensity of public funding (usually up to 50% of costs).

In SK the prioritisation of non-profit investments was firstly a consequence of the natural conditions in forests, which are often mountainous and not so suitable for new harvest technologies. The second reason is that the previous experience from SAPARD had already identified the main interests and demands of forest owners and managers. The SWOT analysis made in the preparatory phase of the operational programme document also suggested areas where the support was most needed and which measures should be selected. A third reason maybe connected to the financial contribution from the applicant. For profit-making investments, in both countries, the biggest share of the planned allocation of support had to be contributed from the applicant's own resources, whereas in non-profit investments the expected contribution from beneficiaries was small, or even zero in CZ because the non-profit investments could be 100% funded from public sources (using both EU and national support).

Table 8

Certified reimbursements of eligible costs in €.

	Sub-measure	2004	2005	2006	2007	2008	2009	Total	% of planned allocation
CZ	1.3.1	0	58 203	835 422	778 640	1 312 408	61 959	3 046 631	91.62%
	1.3.2	0	554 871	1 445 609	3 348 854	1 337 935	204 246	6 891 515	89.70%
	1.3.3	0	0	0	0	0	0	0	0.00%
	1.3.4	0	5299	122 983	45 674	26 304	4319	204 580	15.65%
	Total	0	618 373	2 404 014	4 173 169	2 676 647	270 524	10 142 726	81.96%
	% of total certified reimbursements	0.00%	6.10%	23.70%	41.14%	26.39%	2.67%	100.00%	
SK	2.1.1	0	762 413	4 266 987	2 264 437	723 812	0	8 017 649	95.42%
	2.1.2	0	261 540	3 036 335	3 504 376	1 753 064	0	8 555 315	99.71%
	Total	0	1 023 954	7 303 322	5 768 813	2 476 875	0	16 572 964	97.59%
	% of total certified reimbursements	0.00%	6.18%	44.07%	34.81%	14.95%	0.00%	100.00%	

It should also be noted that the first programming period, in which both countries could benefit from EU funds as full EU members, was characterised by a decision-making process which involved relatively few people, and broader discussion with the various stakeholders did not exist. This meant that the individual participants involved in drafting an operational programme could strongly promote their personal preferences. According to Kluvánková-Oravská et al. (2009) a similar situation can also be identified within the approach to biodiversity protection in many countries of Central and Eastern Europe. Kluvánková-Oravská characterised the period analysed as a transition from government to multilevel governance. In the forestry sector we can also accept such an analysis – because the period 2004–2006 can be truly characterised as a period of rather dominant government influence while the following period 2007–2013 already incorporates many elements of a broader governance system (due to significantly higher participation from different interest groups in the process of negotiation for supported forestry measures).

Some suggestions on how to improve the use of public funds, that emerged from the analysis in both countries, are; awareness raising amongst potential beneficiaries (forest enterprises, forest owners, etc.), through better promotion of the support possibilities, to decrease the administrative burden on beneficiaries by rationalising the amount of documentation, certificates, statements from public bodies which must accompany an application, and finally to increase the transparency of the approval process from the submission of an application through to the notification of the result.

Conclusions

CZ and SK share a common history; they formed one federative state until 1993. Even though both countries have historically followed the same political principles, the recent development of their forestry sectors is different. This analysis focussed on determining whether these two countries – now both EU Member states – benefited in the same way from the financial support available for the forestry sector immediately after joining the EU. Both had the same opportunity to apply for support based on common EU regulations and set out the details in equivalent national programme documents (SOP PRV and OPZ).

Subject analysis showed that the rules in all member states stem from the same EC directives, but the implementation documents for each country (the operational programme) may – to a certain extent – apply them in a different way and within the same (sub) measure different activities can be supported. This fact is critical to the facilitation of a differentiated approach to rural development according to national priorities in each country and is valid for the ongoing programming period 2007–2013.

The analysis also showed that the greater part of support in SK was granted to non-profit investments, whereas in CZ support was paid mainly for profit making investments, which might be interpreted as indicating – according to the Regulation – that support in CZ was oriented towards improving competitiveness of the forestry sector, and in SK to promoting protection and improvement of the environment. The actual format of support offered was, though, based on the applicant's financial contribution, therefore, the same activity might have been included among profit making investments in CZ and non-profit in SK.

The total number of submitted applications was also influenced by the substantial administrative burden required by the application process in both countries (Jarský, 2009).

The results also show that it is rather complicated – and misleading, in official statistics – to compare support to individual (sub)measures among the member states because information about the amount paid out does not reveal any definitive information about its real targeting, as the authors clearly demonstrated with the example of two states, applying the same measures in quite different ways.

The analysis of operational programmes showed that both countries utilised support from EAGGF in similar ways and this reflected the national priorities. The final comparison is presented in Table 9. From the analysis overview it is evident that although most issues are similar or the same in both countries, there are two issues which resulted in the CR 1257/1999 being implemented in a different way, and therefore with different consequences for forest owners and users. For these two issues it was important, to the decision makers in each country, that the supported activities within each measure were selected according to differing principles. As a result, more non-profit investments were

Table 9

Comparison of the CZ/SK situation.

Analysed points	Situation CZ/SK
Responsibility for the selection of supported activities	Equal
International cooperation	Equal
Limited resources for the forestry sector at the expense of support for agriculture	Similar
Limitations based on national legislation and national forestry support	Similar
Confrontations with Commission Regulation 1257/1999	Different
Principles applied in the negotiation and selection of support measures in the operational programme	Different

prioritised in SK, while in CZ, profit making investments prevailed. We can conclude that, from the experiences of SK and CZ in their use of EU funds, it is evident that EU financial support is an important financial instrument for the development of the forestry sector in both countries. The results also showed that national needs and specific local conditions have to be reflected in supported measures. And finally, high administrative burden for beneficiaries can depress demand for support and hinder the successful use of EU funds.

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