

LERH PhD Program - XXX Cycle
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THE IUFRO 125TH ANNIVERSARY CONGRESS
THE SESSION 80: T1 - CHANGING FOREST OWNERSHIP: SIGNIFICANCE
OF TRENDS AND IMPLICATIONS FOR MANAGEMENT AND POLICY

**STATE FOREST MANAGEMENT ORGANIZATIONS IN
EUROPE: PERFORMANCE, POTENTIAL AND CHALLENGES**

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OUTLINE

BACKGROUND AND METHODOLOGY

- Background and justification
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- Data collection

RESEARCH RESULTS

- Clusters analysis
- Conclusions



BACKGROUND AND METHODOLOGY



RESEARCH ORGANIZATION

Background and justification (1/2)

The main purpose of state ownership: **to maximise value for society through an efficient use of resources***

For this reason, the governance of State ownership is attracting increasing attention from citizens.

In the last few decades, public control was increased by the spread of principles of transparency and disclosure. Rising public scrutiny provides strong incentives for good management, board monitoring and the effective use of ownership rights.

The problems and criticisms usually associated with State Owned Organizations:

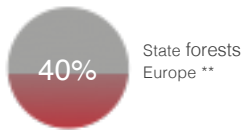
- inefficiency;
- poor monitoring of managers;
- lack of market discipline;
- corruption;
- politicians interference**

*OECD, 2005, Corporate Governance of State-Owned Enterprises, A Survey of OECD Countries.

**Bollocc, F., 2014, Innovation in State-Owned Enterprises: Reconsidering the Conventional Wisdom, J. Econ. Issues 48, 821-848.

RESEARCH ORGANIZATION

Background and justification (2/2)



* FAO, 2010.
** Hirsch and Schmithüsen, 2010.
*** Krott, 2005; Stevanov, 2005.
**** EUSTAFOR, 2016. Managing State Forests in Europe. Eur. State For. Assoc. p. 12

Governments transfer management rights to **State Forest Management Organizations (SFMOs)**.***

SFMOs: commercially-oriented state forest companies, enterprises and agencies that have sustainable forest management and sustainable wood production as major concerns****.

SFMOs are the key players of forest sector.

Main changes for SFMOs:

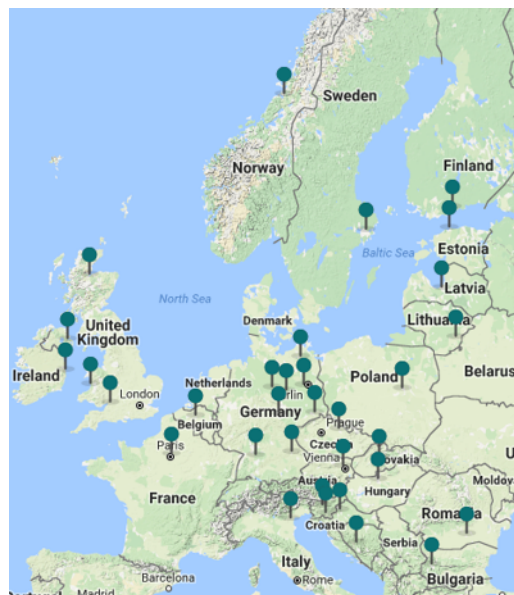
- State is redefining its dominant role
- a lack of financial means for State institutions
- the new competition on the wood market
- growing demand for ecosystem services
- social responsibility

RESEARCH ORGANIZATION

Focus of research

Selection of SFMOs: EUSTAFOR membership, 30 members in 22 European countries.

The European State Forest Association (EUSTAFOR) is an organization that represents commercially-oriented state forest companies, enterprises and agencies*.



*EUSTAFOR, 2016. Managing State Forests in Europe. Eur. State For. Assoc. p. 12.



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RESEARCH ORGANIZATION

Research objectives




General objective

Explore SFMOs in the EU, their performance, potential and challenges



SPECIFIC objective


To make a comparative overview of SFMOs in the EU forest sector context with a specific focus on the way they prioritize three pillars of sustainable forest management: ecological, economic and social.



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RESEARCH ORGANIZATION

Research methodology



Cluster analysis Takes a sample of elements, in this case SFMOs and countries, and groups them.

1 STEP
2 STEP
3 STEP
4 STEP

Selection of variables:

- *inductive*
- ***deductive***
- *cognitive*

Standardization of variables

Clustering algorithms:

- ***hierarchical***
- *nonhierarchical*

Determination the number of clusters

GROUPS OF INDICATORS:

1	Economic pillar	<ul style="list-style-type: none"> • <i>Labour productivity, Employees/1000 ha</i> • <i>Labour productivity, m³/ha</i>
2	Sustainable forest management	<ul style="list-style-type: none"> • <i>Gender ratio, %</i> • <i>Free access to non-wood forest products for population (yes/no)</i>
3	Environmental pillar	<ul style="list-style-type: none"> • <i>Tourism activities, (yes/no)</i>
4	Social pillar	<ul style="list-style-type: none"> • <i>Availability of reports in English (yes/no)</i>

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RESEARCH ORGANIZATION

Data collection

1 PRIMARY DATA
Used for cluster analysis

- Questionnaire
- *Data for indicators*
- *Open-ended questions*

Sent by EUSTAFOR 06.12.2016

1st reminder 20.12.2016

2nd reminder 19.01.2017

Via official emails and the local experts 20.01 – 15.04.2017

2 SECONDARY DATA

- Official webpages
- SFMOs annual reports
- Corporate responsibility reports
- Scientific articles

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RESULTS AND CONCLUSIONS

RESEARCH RESULTS

General observations on data availability and comparison

Countries:

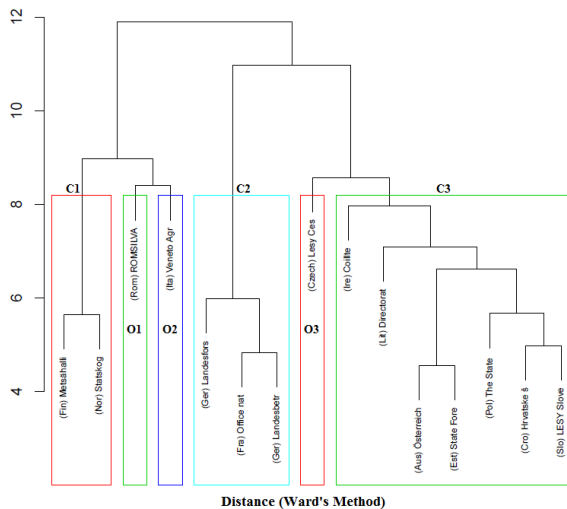
- data about forestry at national level are spread over different databases (e.g. FAO (2010), EUROSTAT, World Bank, etc.)
- data missing or/and not updated
- data are very often aggregated by regions, which does not allow comparison within a region.

SFMOs:

- the reporting system is poorly developed
- very little data in English available on-line
- low response rate
- difficult to compare because of the differences between countries and SFMOs in the legal framework, forest management objectives, system of accountancy etc..
- data regarding social aspects are very scarce or not available/collected (e.g. technical and health training, accidents at work)

RESEARCH RESULTS

SFMOs clusters (1/4)



We obtained three clusters (C1, C2, C3) of SFMOs in the EU and three outliers (O1, O2, O3)

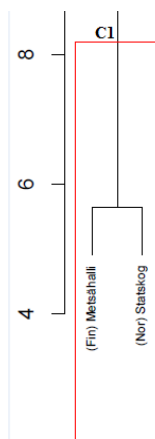
15 SFMOs out of 30 EUSTAFOR members

The analysis was based on 29 variables that reflected three pillars of Sustainable Forest Management: economic, ecological and social



RESEARCH RESULTS

SFMOs clusters (2/4)



Cluster 1 (C1) – SFMOs with diversified goals

Composed by:

- Statskog (Norway);
- Metsähallitus (Finland)

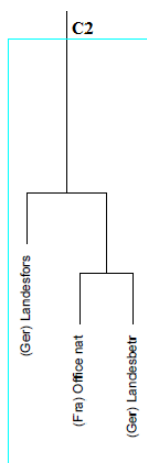
Characteristics:

- operate in similar natural conditions
- own large areas
- operate in a **highly competitive market** in economies where forestry contributes significantly to GDP
- are relatively small players
- use resources for the development of **new business activities** (such as renewable energy, real estate, etc.)
- place a strong emphasis on **incorporating social and environmental values** into management systems



RESEARCH RESULTS

SFMOs clusters (3/4)



Cluster 2 (C2) – SFMOs as protectors of public interests

Composed by:

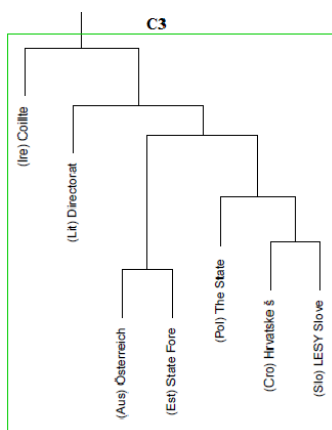
- Landesbetrieb ForstBW (Germany);
- Office National Des Forêts (ONF) (France);
- Landesforst Mecklenburg-Vorpommern (Germany)

Characteristics:

- focused on the **protection of biodiversity** and **ecological functions** of the forest
- trying to optimize timber production while maintaining the standing stock
- **governments subsidize** SFMOs' forest management activities, even if there is a **big potential for the development of commercial forestry**
- the indicator of labour productivity (employees/1000 ha) in C2 is much higher than compared to other SFMOs

RESEARCH RESULTS

SFMOs clusters (4/4)



Cluster 3 (C3) – SFMOs – profit-oriented

Composed by:

- LESY Slovenskej republiky (Slovakia);
- Croatian Forests (Hrvatske šume) Ltd (Croatia);
- The State Forests National Forest Holding (Poland);
- State Forest Management Centre (RMK) (Estonia);
- Austrian Federal Forests (ÖBF) (Austria);
- Directorate General of State Forests (DGST)(Lithuania);
- Coillte (Ireland)

Characteristics:

- a **commercial model** of forest management
- develop other **non-timber business activities**. However, they play a minor role, apart from Irish Coillte and Austrian ÖBF
- all SFMOs apart from Austrian ÖBF manage a very significant part of the forest area in their countries.

CONCLUSIONS

- Most SFMOs are owned by the state but function as a private unit
- Information disclosure is low → Need to improve reporting and communication system
- Increased importance of environmental services and social inclusiveness in the management of SFMOs → New business opportunities
- Some SFMOs have quite an ambiguous role in wood market (e.g. Czech Republic, Ireland) → Their supply policy can influence the market conditions
- Increased outsourced activities and consequent reduction of SFMO personnel
- SFMOs are often **are not involved in wood processing**
- Functions of supervision and management are often separated between different institutions (SFMO itself and other state authority).

- Future research:**
- particular case studies on different management model
 - analysis changes over time
 - use of wider set of indicators.

THANK YOU FOR YOUR ATTENTION!



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