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## Introduction

In the past, forestry had just one function: production of wood. Everything was working in a very simple way, there was demand and supply for that concrete good and the price was fluctuating depending on these two indicators. With time passing by some changes have emerged: the world around us has changed and people, whose needs have also changed, has realized that forest has much more to offer than simply wood production. Other functions of forest have appeared and have been taken into account, such as protection against floods and erosion, diminution of air pollution, stabilizer of ecological balance and also landscape enhancement value. Also nowadays, recreation, cultural and educative functions have become some of the most important functions of the forest. Our society and way of life are different, most of the people are living in urban areas and nature is very valuable. As forest is one of the most unchanged ecosystems, it can be and is being used to learn and enjoy the fauna and flora of a specific region or country.

As well, the contribution of forestry to the national economy was not value enough for a long time. As it has been said before, the value of forest was reduced to wood production, thus, for all this time the contribution of forestry to the national economy was calculated according to this only function, excluding other functions from this calculation which are also profitable.

Specifically in our case, we can say that governments, both the Czech and European, have a special interest on forestry and the non wood production functions of it, although this one is obviously also taken into account. This interest is shown by their current policies concerning forestry and its functions, and also by the different instruments which can be used to carry out these policies. At this level, we can say that two approaches, about which type of instrument should be used, exist: the first one uses orders as instruments and the second uses motivational tools. Both of them are used in forestry at the present time, but this project will focus on the second approach since subsidies belong to that group of instruments.

## **Methodology of the Thesis**

In my Thesis I will try to generally explain - by using definitions and accessible literature - the basic terms which will be used in my work. In the beginning I will mention some information about financial aids from public sources, externalities (both negative and positive), and financial aids for the purpose of providing public and collective goods where subsidies are often used. At the beginning I will explain the idea of subsidies widely from economic point of view and later in a specialized manner of agriculture, or more precisely, of forestry since this is the aim of the project. I will not forget to mention the broadly discussed theme in these days: perverse subsidies.

Subsequently, I will describe instruments used in forestry. I will speak about normative (but only marginally because my work is not pointed on them so much) and economic instruments. I will explain this precisely, I will sketch their functions, as well as the division to the main groups.

The following issue will be the history of the Czech forestry from economic point of view. I think this is very important for whole thesis to understand better the economic situation in forestry of the Czech Republic. Afterwards, I will be ready to start with the description of EU Forest Action Plan. I am going to mention the main goals of this action plan as sustainable management and strengthen coherence between EU policies, as well as co-ordination between the European Commission and member states or strength of the consultation structures in forestry at Community and national level.

Before starting with analysis of each programme, I will have to characterise these programmes deeply. I am going to describe all four sub-measures of measure 1.3 Forestry in the case of Operative Programme and also the two of Horizontal Rural Development Plan. I will not forget to mention items like who can be granted financial aid, specific objectives of support and also type and amount of this support.

Further, I will try to outline the financial framework of OP RDMA 1.3 Forestry by using data obtained from State Agricultural Intervention Fund. This operative programme lasted from 2004 to 2006 and so my thesis contains just this time period. Unfortunately, while collecting my data, not all of them were available for 2006, and so they were omitted in some cases. I will compare the data from financial sources as well as from time or sub-measure point of view.

First of all I will divide and recalculate the subsidies for forestry by financial sources. The division will consider if it was gained from public or private sources. I also consider very important to give evidence for the amount of money received by applicants from the state budget and European Union. Next step will be pointed to the comparison of individual sub-measures, years and combination of them. By this way we should found out the movement of subsidies during years (altogether or separately each sub-measure).

After such an analysis, I will aim to registered applications. This part will become more concrete because I will take into account very detailed division by sub-measure, region or subjects applying for financial aid. All analyses will be provided by well-arranged charts and graphs.

Afterwards, I will focus on analysis of HRDP, which is not going to be so profound because there are just two sub-measures, and one of them (plantation of fast-growing tree species) is not used so much, and so there was no reason to do the analysis for each sub-measure separately. I obtained the information from the State Agricultural Intervention Fund again and this caused some problems as it took me too long to collect all needed numbers.

The cross-border cooperation has not the forestry as a priority and so the projects were connected with forestry just marginally. There was nobody who could provide me with some data about the projects but the database on the internet contains information about all projects carried out by this programme, therefore I was able to collect all the numbers needed for my diploma thesis.

By this way I could get enough results to make out conclusions. At the end I will try to generalize the results which emerge from executed calculations and their confrontation in time, by applicant or by region, and I will suggest as suggest some improvement and compare these suggestions with the following programming.

## **Aim of the thesis**

The aim of my thesis is to analyze the subsidies coming from European Union to the Czech forestry during 2004 – 2006 and to suggest some actions to improve the procedures connected with financing forestry, especially from the European Union.

By comparison of different instruments I wish to find out in which branch spent the highest amount of money and which one remain unused. I would like to focus on unwanted instruments and try to explain why there is no interest from applicants.

Thanks to the analysis of applications by regions, it can be determined in which region the information and educative system for the applicants should be improved. An important factor is also the confrontation of individual years (although they are just three of them), which enable an estimation of progress in the future.

Although a new structure of subsidies from the European Union is to be adopted from 2007, instruments will remain the same (and also some new will be added). Because of this I will focus on finding new improvements of current sub-measures.

# 1. Literacy research

## 1.1. Financial aids from public sources

From an economic point of view (Jarský, 2005), subsidies are justifiable because of two concepts: failure of market and insufficient coordination. The market laws of classical liberalism did not allow the State intervention and disapprove it as inconsistent with the market and as unfavourable for the economy as a whole. Later on, the economic theory was investigating which State interventions do not decrease, and maybe increase, the effectiveness of the market. After all, some criteria were set up to find out the most effective way of redistribution with the highest stability. But we should always keep in mind that supportive programmes are the results of political process, so in praxis the real used programmes can be the opposite of the economic theory. (Šálka, 2000).

Subventions are a traditional instrument used when the market collapse. It is a common used financial aid in these situations: correction of externalities, providing public and collective goods, providing pragmatic goods, elimination of undesirable strong market position.

### 1.1.1. Finance aid for the purpose of the correlation of externalities

In the case of negative externalities, marginal costs of companies are lower than desired social marginal costs, and it is not always possible to identify the originator. In that case, an intervention from the State is needed. Uses of this aid should lead the company to decrease the level of production of this externality. Although these kinds of solution can success, it may also carry out some problems, and it is much criticized because producers of these externalities are rewarded and the process can be repeated again without solving the problem. These types of subsidies will be discussed in the chapter called: Perverse subsidies.

In the case of positive externalities, the marginal costs of the companies are higher than desired social marginal costs and the level of the activity is low. In practice it is working in the base of state aids which purpose is to motivate the subject to produce more positive externalities. It means that the State is paying for some services all the society consumes.

### **1.1.2. Finance aid on purpose of providing public and collective goods**

Public goods are very similar to positive externalities. In collective (partly mixed) goods, the state aids are well-founded only in the case when they can not be provided more effectively by the private sector. These subventions are suitable only when a connection between collective goods and positive externalities is guaranteed and they can not be financed by the own private sector.

It is e.g. subventions for building of forestry roads, torrent control, snow-shet construction etc. These are collective goods which are useful for many foresters dealing with wood production, but brings, as well, some social functions as tourism, defence against erosion, recreation etc. These projects can be reached by the right use of subsidies.

### **1.2. Definition of subsidies**

Definitions of subsidy vary depending on the context. In one basic definition, subsidies are government actions that encourage certain specified activities or improve the profitability of specific sectors in an economy. Such a definition can be interpreted broadly or narrowly. In that broadest sense, almost all government programmes might be considered subsidies. However, not all government actions affect the competitiveness of specific sectors of an economy. To the extent, government gives financial support directly or indirectly to assist a specific economic sector, such financial support can be viewed as a subsidy (Goetzl 2006).

While subsidies in industrialized countries tend to target agriculture, transport and manufacturing industries, developing countries tend to subsidize energy, water, fisheries and, to a lesser extent, agriculture (Pearce 2003).

In their simplest and most transparent forms, subsidies are direct payments or income transfers to a specific class of producers. Thus, grants or low-interest loans to expand capacity for manufacturing steel could clearly be considered a subsidy. The same would be true of a tax expenditure (tax rebate or preferential tax treatment) given to a class of producers to make them more profitable. Subsidies may be designed to affect land use, commodity extraction, agricultural or manufacturing production, means of transport, energy use, capital investment, or trade. They can be used to protect

domestically produced products from import competition or, alternatively, to promote their export. In some cases they are temporary in nature, triggered by some economic, national security or social event (Goetzl 2006).

### **1.2.1. Importance of subsidies**

Every government uses subsidies of one kind or another to achieve their policy aims. Subsidies serve to stabilize producer or consumer prices, strengthen industries important to national security, provide a stable supply of agricultural or industrial commodities, develop energy resources, promote employment, and/or encourage conservation. Governments regularly fund various research, education, and arts and humanities programmes as ‘public goods’ deemed worthy of subsidies. In fact, subsidies are an important policy tool for meeting specific social, economic and cultural needs (Goetzl 2006).

### **1.2.2. Subsidies and forestry**

Subsidies can be an important tool for influencing how forests are managed, and so, play a crucial role in either reinforcing or undermining policy objectives. Therefore, it is important to determine whether such funds are actually helping to achieve the stated goals, in other words, if they are being wisely spent (Hoare 2006).

Subsidies directed specifically at the forestry and forest products sector, can take a number of forms – direct and indirect -- and could be motivated by environmental, social (e.g. employment) or economic rationales, or a combination thereof (Goetzl 2006).

### **1.2.3. Perverse subsidies**

But there is also other perspective how to see the subsidies. Nowadays the “perverse subsidies” is a much discussed theme. Some subsidies are blamed for causing environmental harm; environmental groups cite them as a principal cause of forest degradation and destruction. They say that while subsidies may benefit certain groups in the short term, they ultimately cause distortions that lead to economic inefficiency and prevent environmental costs from being internalized. Subsidies create distortions that



cause prices to reflect neither the resource scarcity nor the cost of consumption and production (de Moor, 1997). As Steenblik (1998a) notes, subsidies that are targeted at specific economic sectors “...divert resources from more productive to less productive uses, interfere with price signals, and in so doing reduce efficiency: at best they are a waste of money”. At worse, they entrench harmful practices which damage the environment, transferring the mitigation and restoration costs to society as a whole. While the impacts on biodiversity, arising from subsidies, are largely the result of unintended consequences, they nonetheless need to be better accounted for by policymakers (OECD, 2003). Perverse subsidies can be also defined as *implicit* subsidies that arise when a negative externality results from the production of a good (Porter, 1998).

Subsidies also represent significant expenditures by governments, draining scarce public finances. These funds could be used in other areas that would benefit larger segments of society rather than specific interest groups. This spending is especially ineffective when subsidies are not meeting their intended objectives when their use is resulting in economic inefficiencies and causing harm to the environment and to biodiversity.

Subsidies can also create unfair trade advantages at the peril of developing countries whose economies are further weakened (Goezl 2005).

#### **1.2.4. Perverse subsidies in agriculture and forestry**

The Government support to the agricultural sector dates back to the early 19th century and continues to be significant today. Myers and Kent (2001) estimate that the environmental externalities, arising from subsidized agricultural practices, add an additional \$250 billion per year since they are effectively hidden subsidies from society to agriculture.

Policies that support inputs for intensive farming, often act as incentives for unsustainable agricultural practices that are detrimental to the environment and can lead to biodiversity loss.

It was announced that subsidies ultimately exacerbate the negative impacts of modern agricultural practices on the environment. Some of the main biodiversity-related impacts of agriculture affect soil quality, water quality, diversity of plant and

indigenous animals, and habitats for plants and animals (OECD, 2001; Portugal, 2002). But, a considerable progress is being made to move away from production based subsidies toward income support programmes, with recent reforms to the European Union's Common Agricultural Policy.

### **1.3.Characteristics of instruments used in forestry**

Environmental politics of developed countries are using different strategies to safeguard environmental protection. The strategy of direct regulation utilizes mostly normative instruments, whereas the economic ones utilizes indirect and are based on indirect influence of behaviour. Economics instruments include wide range of instruments which can have negative or positive stimulation.

In the last decade, the application of instruments dealing with preventive strategies is getting higher importance.

#### **Normative instruments**

Normative instruments are historically first and still prevailing instruments of environmental policy. This system of instruments is regulating the behaviour of polluters by orders and prohibitions.

My Thesis is aimed to subsidies which belong to the economic instruments. Subsidies are using money to influence the behaviour of foresters. Because of that I will focus more on the economic instruments.

### **1.4. Characteristics of economic instruments**

#### **Economic instruments**

We can define the economic instruments like tools based on influencing the behaviour of subjects which are using or polluting the environment. Economics instruments give a chance to the subject to decide if the economic affectivity is better by the way of pollution (and pay) or investment of costs to decrease this pollution. Nowadays, in member countries of OECD and EU is the second approach accounted as very perspective.

In addition to instruments using negative stimulation, (taxes, charges, etc.) grant subsidies form an important part of economic instruments. It can be provided from national as well as from the European resources.

The basic aim of grant subsidies (and economic instruments generally) is to influence of decisions of economic and no economic subjects in such a way we think is the best.

### **Economic instruments fulfil some basic functions:**

- **Compensational function** – is dealing, at first, with financial compensation (compensation or internalization) of external effects. This is the main function.
- **Fiscal function** – is dealing, at the first place, with reaching the financial profit of public budgets, which allow financing of some activities of the public sector.
- **Simulative function** – is based on making some pressure to reach some goals
- **Redistributive function** – means influencing of prices, respectively costs impacts on some sectors, branches and social groups (Ritschelová a kol. 2006).

### **Classification of economics instruments**

At the present, these tools can be used in national politics characterize by the utilization of OECD classification.

### **By OECD classification can be economic instruments divide to follows main groups:**

Charge for pollution of environment

- Charge for air pollution
- Charge for discharge of sewage
- Charge for storage of waste on the dumps
- Charge for burning of waste
- Charge for noise

Charge for using of natural resources

- Charge for consumption of sewage
- Charge for consumption of surface water and water from watercourses
- Levy for dispossession of agriculture and forestry land resources

#### User charges

- Charges for consumption of substances polluting ozone layer
- Charges for using of some artificial fertilizers and pesticides

#### Taxes

- Tax for protection of environment
- Communal tax

#### Sanctions payments

- Penalty
- Surcharges to charges

#### Tax allowance

- Within real estate tax
- Within income tax
- Within consumption tax
- Within VAT
- Within vehicle excise duty

#### Financial supports

- Subsidies, grants, donations from state budget
- Subsidies, grants, donations from state funds
- Soft loans
- Bank guarantee

#### Allowances

- Conditioned deferred in payment of charges
- Other allowances or liberations

### Deposit and refund systems

- Backing up of wraps and bottles
- Charges from recycling

### Negotiable emission permission

### Environmental insurance

In my work, I am focusing on subsidies. From this point of view the part dealing with financial supports is very interesting, especially subsidies and grants donations from EU funds which, through the state fund, are subsequently distributed to foresters.

## **2. Forestry policy**

During the 1980s, there were some major additions to the forest policy objectives and some organizational adjustments. The most important adjustment was: the much-increased awareness of the importance of functions of the forest other than wood production, especially the conservation of biodiversity and the provision of recreation. These functions are now given on the same level as sustainable wood supply in the forest policy objectives in all European countries. This development has led to a wide range of measures: differing management practices, prevention or severe limitation of harvesting on some areas, the publication of guidelines for good practices, extension programmes, etc. Foresters and forest policies had always been aware of these benefits, but they had often given them lower priority than wood production when choices had to be made, or assumed that they would be a natural side effect of management for wood production. Partly as a result of an increasingly sophisticated and assertive environmental movement, forest policy has moved up the political agenda and become the subject of serious political debate in many countries.

On 15 December 1998, the European Council adopted a Resolution on a Forestry Strategy for the European Union. The growing concern about the coherence between the forest policies of the Member States and forest-related activities at the EU level, as well as the rising profile of forests in international policy debates and initiatives on sustainable development, were the main driving forces behind the adoption of the EU Forestry Strategy. This strategy takes into account the commitments made by the EU and its Member States in the relevant international processes, in particular the UN Conference on Environment and Development in 1992 (UNCED) and its follow-up conferences, and the Ministerial Conferences on the Protection of Forests in Europe (MCPFE).

The Strategy emphasizes the importance of the multifunctional role of forests and sustainable forest management (SFM) for the development of society, and identifies a series of key elements, which form the basis for its implementation. It states that forest policy lies in the competence of the Member States, but that the EU can contribute to the implementation of SFM through common policies, based on the principle of subsidiary and the concept of shared responsibility. It also emphasizes the implementation of international commitments, principles and recommendations through

national or sub-national forest programmes or equivalent instruments, and active participation in all forest-related international processes, and stresses the need to improving co-ordination, communication and co-operation in all policy areas of relevance to the forest sector.

Sustainable forest management offers opportunities for economic gain alongside ecological and social benefits. To achieve this, greater investment is needed not only by the private sector (ranging from small communities and farmers to large international corporations) but also by the public sector.

### **2.1. History of Czech Forestry finance system**

Until 1991, almost all forests were in the state possession or were managed as state property (directly connected with the state budget), and existed quite a different system of financial support existed (both positive and negative). Basically, (planned) financial losses were covered from the state budget while financial gains went to the state budget. In the period 1992–1995, the newly and gradually created system of forestry financing was heavily influenced and distorted by restitution processes. The system of forestry financing was also different in the respective years. In 1995, totally new Forest Act came into existence – largely influencing the system of forestry financing. Apart from this, the system of the state forest administration was substantially rebuilt.

In 1992, after the restitution process started, first subsidies were granted to all forest owners. The instructions for their granting were gradually drawn up in accordance with the needs of the society undergoing important changes. The sets of instructions were annually issued by the Ministry of Agriculture in co-operation with the Ministry of Finance.

Forest Act, approved in the autumn of 1995, was a decisive turning point. This act defined forestry support as an instrument of forest policy for the first time. Since 1996, a relatively modern system of forestry financing has been sufficiently established. A proper and stable financing programme started mostly in 1996. It means that available and reliable data on forestry financing could be collected systematically only from the year 1996.

## **2.2. EU Forest Action Plan**

In May 2005, the Agriculture and Fisheries Council adopted Conclusions on an EU Forest Action Plan. The basic principles and elements identified in 1998, in the EU Forestry Strategy are still valid. However, in order to maintain and maximize these principles in the future, the Strategy and its implementation process need to be placed within the newly emerging policy context. There are some issues needed to be discussed and remake.

It is an exceptionable fact that an evident progress took place in the sustainable management of forests, but the competitiveness and economic viability of forest management in the EU is being challenged in the context of an open and global market. To satisfy the growing public interest in the management of forests, due to their environmental and social benefits, is required, in many cases, changes in management practices that may reduce the economic viability of forestry. If the tradition of multipurpose forestry in the EU is to be maintained, these issues need to be addressed in the future.

Second issue, which is much discussed and have a base in the first resolution, deals with the need to strengthen coherence between EU policies, as well as co-ordination between the commission and the member states. This action plan should ground to the adequate monitoring mechanisms for the implementation of the Strategy, so that the various functions of forests and their links with other policies are addressed in a coherent way in the policy formation process.

There is a need to review and strengthen the consultation structures in forestry at Community and national level, in order to facilitate transparency in the decision-making process and a structured dialogue with all stakeholders.

And the last point, but not least important is the global importance of forests for sustainable development, including their climate change and biodiversity dimensions, which is being increasingly acknowledged. The EU should firmly continue to supporting the international commitments for the sustainable management of forests at a global level.



### **3. Operative programme: Rural Development and Multifunctional Agriculture**

Strategy of Rural development and the multifunctional agriculture operational programme is a result of the analysis of economics and social situation in agriculture and rural development. Rural development and agriculture are based mostly in the multifunctional and competitive aspects of agriculture with emphasis on increasing the quality of life. This should be the foundation of long term economic progress which gives to the countryside enough possibilities to develop in the course of services and other activities. Because of it, agriculture reaches the highest importance in the “Rural development and multifunctional agriculture”. This programme also includes the support to young farmers.

The strategy of this operative programme is based on sustainable rural development and stabilization of rural areas. In such regions, where natural conditions allow intensive agricultural production, the emphasis is laying on the development of competitiveness of agriculture.

The operative programme “Rural development and multifunctional agriculture” subscribes the improvement of quality and productivity of work as well as agricultural products which are launched on the market.

The aim of OP RDMA is to raise the share of agriculture on GDP and employment in CR, conservation of environment, safeguarding sustainable multifunctional rural development on sustainable development of agriculture, forestry and water management with integration of quality processing of agricultural products.

The goal of this operative programme is to reach, first of all, the increased competitiveness of agriculture (by investment to new technologies, testing and certification, human resources and marketing) and then to arrange the conditions to create alternative jobs position in rural areas by improving opportunities to create new businesses in such areas as well as to keep young and educated people.

### **3.1. Description of instruments used in Operative programme: Rural Development and Multifunctional Agriculture (OP-RDMA)**

The OP-RDMA it is composed from seven parts.

- Investments in agricultural holdings
- Improving processing and marketing of agricultural products
- Forestry
- Promoting the adaptation and development of rural areas
- Vocational training
- Fisheries
- Technical assistance

The important one for my work is the measure **1.3. Forestry**. Now I would like to describe the four sub-measures.

#### **Sub-measure:**

- 1.3.1. Restoring forestry potential damaged by natural disasters and fire and introducing appropriate preventive instruments
- 1.3.2. Investments in forests
- 1.3.3. Establishment of associations of forest owners
- 1.3.4. Planting of land not used for farming

#### **Sub-measure 1.3.1. - Restoring forestry potential damaged by natural disasters and fire and introducing appropriate preventive instruments**

##### **Support may be granted for:**

- (a) protective measures designed to prevent or mitigate damage caused by natural disasters in forests and emergency measures in case of calamity caused by biotic and abiotic factors especially by insect and fungal pests (e.g. gregarious spruce sawfly, large larch sawfly, bark beetles, spruce bell moth, pine bud moth, larch bud moth, silver fir leaf roller, oak leaf roller, loopers, needle-cast fungus etc), due to large-scale outbreaks,

- (b) reconstruction of damaged forest stands,
- (c) forest regeneration following salvage felling,
- (d) preventive anti-flood measures on small watercourses and in their catchment areas, and anti-erosion measures,
- (e) reconstruction of damaged structures and establishment of damaged slopes, erosion furrows and gullies.

**Specific objectives of the support**

The support allows reducing the extent of damage caused by natural disasters and fire. However, if a natural disaster or fire takes place, in spite of preventive measures, these supports will at least enable a restoration of the production potential and functions of forests.

**Categories of beneficiaries / final recipients**

- a) forest owner or leaseholder,
- b) public forest owner,

**Type and amount of support**

Type of support:	direct non-repayable grant
Method of financing:	full financing
Amount of the grant:	<p>The projects do not generate revenue; total public support will be 100 % of eligible cost of which the EU contribution will amount to 80 % and the national one to 20 %.</p> <p>The eligible cost for which support can be granted shall range from € 1 660 to € 1.67 million per individual project.</p> <p>Maximum amount of grant per individual beneficiary shall be € 2 million in the period 2004 – 2006.</p>

## **Sub-measure 1.3.2. Investments in forests**

### **Support may be granted for:**

- (a) construction, reconstruction or modernization of forest transport network,
- (b) construction, reconstruction or modernisation of facilities regulating water regime (amelioration, retention basins, etc.),
- (c) activities leading to a regulation of the number of forest visitors and providing for their safety, mainly following activities (construction footpaths for tourists, including e.g. cycle tracks, objects on them to ensure the safeness of the visitors, e.g. footbridges, railing, steps, parking places, relaxing places, shelters, forest fountains, information boards etc.),
- (d) purchase of machines and equipment to maintain and repair forest roads, paths and trails, to maintain and clean water bodies, watercourses and amelioration networks, and for ecological technologies used in forest management,

### **Specific objectives of the support**

The support for investments in forests is aimed to increase substantially the economic, ecological and social value of forest holdings. Improving the quality of forest infrastructure is a prerequisite for increasing the social value of forested landscape. At the same time, however, the developed forest infrastructure needs to be maintained and forestry technologies need to be used in a manner which avoids the destruction of this infrastructure.

### **Categories of beneficiaries / final recipients**

- a) forest owner or leaseholder provided that the forest land is not owned by the central or regional government,

### **Type and amount of support**

Type of support:	direct non-repayable grant
Method of financing:	co-financing
Amount of the grant:	up to 50% of eligible cost the EU contribution is up to 35% of eligible cost,

The eligible cost for which support can be granted shall range from € 2 000 to € 500 000 per individual project. Maximum amount of grant per individual beneficiary shall be € 1 million in the period 2004 – 2006.

### **Sub-measure 1.3.3. - Establishment of associations of forest owners**

#### **Support may be granted for:**

- (a) expenditures for establishment and equipment of necessary office spaces including PCs,
- (b) the procurement of equipment, which are connected with the range of services that the association will be providing to its members for a minimum period of the upcoming five years.

#### **Specific objectives of the support**

The support for the establishment of associations of small forest owners is granted for the purposes of a joint management of associated forest holdings. The objective of the support is to ensure a professional management of associated holdings and the attainment of a more effective and balanced management.

#### **Categories of beneficiaries / final recipients**

An association with a legal personality set-up the first time in the programme period and which on the date of submission of application associates at least 10 forest owners and with a minimum area of the association being 150 ha.

#### **Type and amount of support**

Type of support:	direct non-repayable grant
Method of financing:	co-financing
Amount of the grant:	up to 50 % of eligible cost
	the EU contribution is up to 35% of eligible cost

The eligible cost for which support can be granted shall range from € 2 000 to € 300 000 per individual project.

Maximum amount of grant per individual beneficiary/project holder shall be € 300 000 in the period 2004 – 2006.

### **Sub-measure 1.3.4. - Planting of land not used for farming**

#### **Support may be granted for:**

- (a) the planting of land not used for farming, for non-commercial forestry purposes
- (b) the maintenance of young forest stands planted under (a) until these are secured.

Afforestation of set-aside lands refers to those lands that were recorded in the land register of real estates as agricultural lands but they had not been used for agricultural production and not cultivated in the last three years. The owners of lands above have left them lying fallow for various reasons. Wide-spread weeds growing on those lands threaten the neighbouring cultivated agricultural lands. In the Czech Republic, there is a number of allochthonous uncontrolled-spread weeds such as cow parsnip and hop-tree which eliminate autochthonous natural phytocenosis. Weed control is up to now difficult and contentious. Moreover, natural seeding of tree species appears in some areas. Therefore, purposeful afforestation of those lands is very significant from the hygienic and mainly ecological standpoints.

#### **Specific objectives of the support**

The support allows to convert non-farm land, that is a source of weeds in cultural landscape, into forests with a diversity of tree species. The extension of forested areas, primarily in agricultural landscapes, will lead to a strengthening of landscape biodiversity.

### **Project eligibility criteria / preconditions for support**

- a) the project complies with the relevant legislation,
- b) only one source of EU financing may be used for each approved project,
- c) the project must be implemented on the territory of the Czech Republic,
- d) an afforestation project drawn up by an authorised person.

### **Categories of beneficiaries / final recipients**

- a) land owner provided that the land is not owned by the central or regional government,
- b) land owners or leaseholders in association with legal personality.

### **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: full financing

Amount of the grant: These projects do not generate revenue; total public support will be 100 % of eligible cost of which the EU contribution will amount to 75 % and the national one to 25 %.; The demonstration of actual costs may be waived, provided the Ministry of Agriculture determines the level of costs for which support can be granted on the basis of average costs in a past period.

The eligible cost for which support can be granted shall range from € 600 to € 300 000 per individual project.

Maximum amount of grant per individual beneficiary shall be € 300 000 in the period 2004 – 2006.

## 3.2. Analysis of Operative programme: Rural Development and Multifunctional Agriculture

### Financial perspective

To start with the analysis of OP:RDMA, the available monetary sources and the number of applications are needed to be described and divided. Amounts are shown in EURO because the Czech Republic receives the money in this currency.

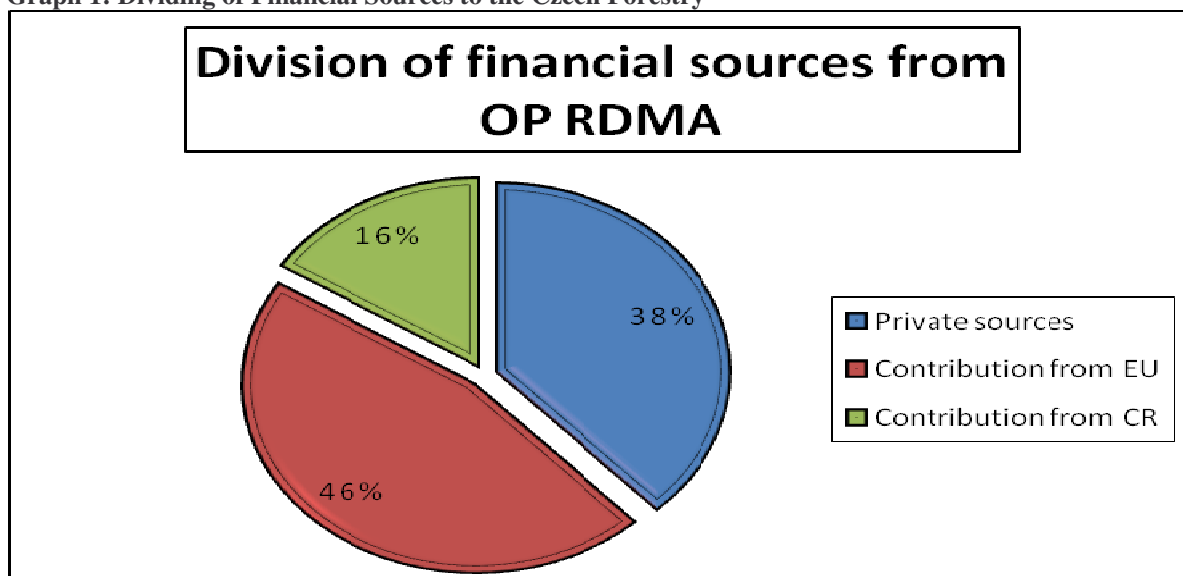
Resources used in 2004 – 2006 reached as much as 20.12 millions €. The public resources present 12.37 millions € (it makes 62 % from all resources), from which financing from EAGGF makes 9.1 millions € (73% of public resources).

**Chart 1: Financial range of sub-measure 1.3 during 2004 – 2006 (in EURO)**

Sub-measure	Public resources			Private resources	Total
		EU	CR		
1.3.1.	3 325 470	2 660 376	665 094		<b>3 325 470</b>
1.3.2.	7 682 803	5 377 962	2 304 841	7 682 803	<b>15 365 606</b>
1.3.3.	59 559	41 691	17 868	59 559	<b>119 118</b>
1.3.4.	1 306 980	980 235	326 745		<b>1 306 980</b>
<b>Total</b>	<b>12 374 812</b>	<b>9 060 264</b>	<b>3 314 548</b>	<b>7 742 362</b>	

This graph shows how financial sources heading for the Czech forestry were divided in 2004 – 2006. It is obvious that the highest amount of money comes from EU contribution followed by private sources due to the fact that applicators are obligated to finance some of the projects by themselves (mostly 50%).

**Graph 1: Dividing of Financial Sources to the Czech Forestry**





**Chart 2: Allocation of financial resources in the Czech forestry**

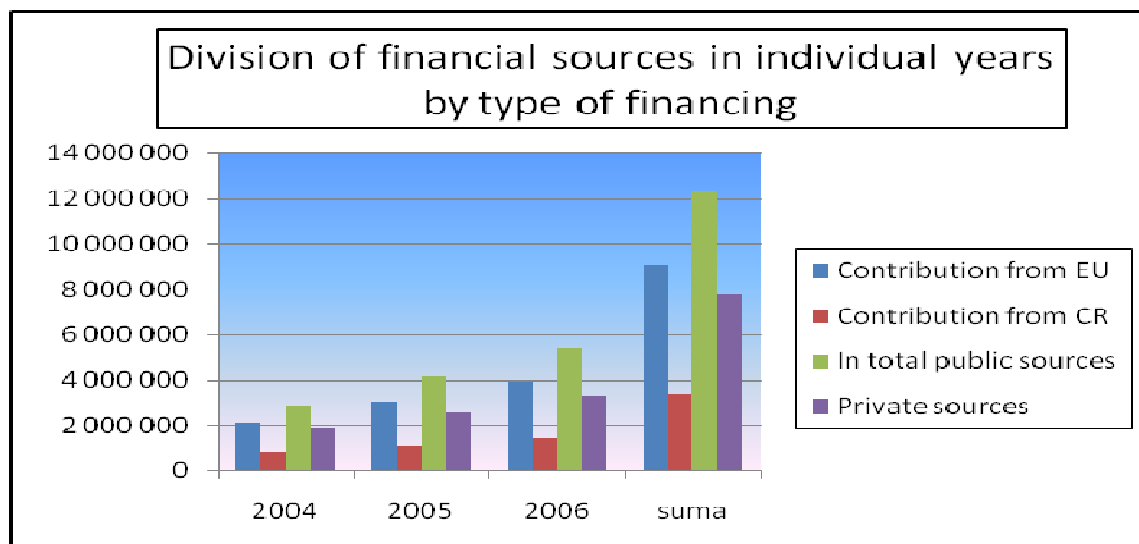
in EURO	2004	2005	2006	Total
<b>Contribution from EU</b>	2 111 720	3 024 657	3 923 887	9 060 264
<b>Contribution from CR</b>	772 538	1 106 520	1 435 489	3 314 547
<b>In total public sources</b>	2 844 258	4 131 177	5 359 376	12 374 811
<b>Private sources</b>	1 885 730	2 549 354	3 307 277	7 742 361
<b>Total</b>	4 729 988	6 680 531	8 666 653	20 117 172

4.77 millions € was used from all the resources in 2004. It is 27 % from amount of whole period 2004 – 2006. The public resources reached the number of 2.88 millions €, which made 60 % from all the resources. The contribution from EU was much higher than the national one (EU subsidies were around 73 % from all the resources nevertheless, the national ones were about 27 %).

In 2005 the amount of subsidy going to the forestry reached about 6.68 millions EUR (it was definitely more than the year before, around 33 % from all resources of the period under consideration). The public resources made 4.13 millions EUR, which is in percentage a little bit more than in 2004 (62 %). The difference between the national and EU resources remained the same.

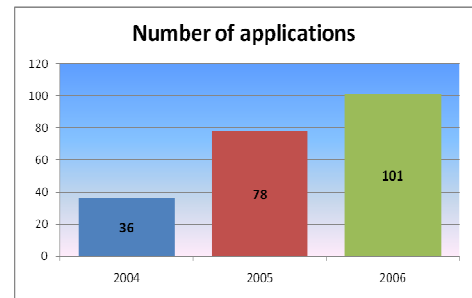
The highest amount of financial resources was determined for 2006. There was used 8.67 millions EUR, which is equal to 43 % of all the resources of the period. The public resources correspond to 5.36 millions EUR, which has increased again compared to 2004 (62 %). The subsidies from the EU made 3.92 millions EURO, which means 73 % of public resources again.

**Graph 2: Division of financial sources in individual years by type of financing**



### Application perspective

During 2004 – 2006, in regional divisions of The State Agricultural Intervention Fund (RD SAIF), 215 applications were registered for finances aids from measure 1.3 “Forestry”, for the total amount of 368.7 millions CZK (13.2 million EURO with change 27.9 CZK = 1 €).



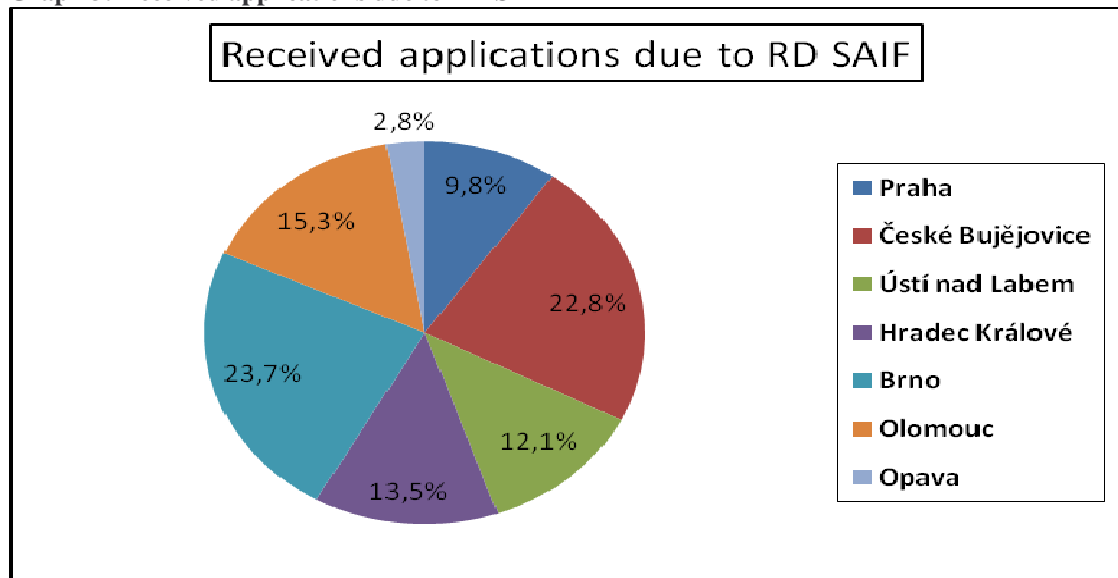
From this number it was 58 applications (27% from all applications) used for sub-measure 1.3.1. “Restoring forestry potential damaged by natural disasters”, 133 applications (62% from all applications) used for 1.3.2. “Investments in forests” and 24 applications (11% from all applications) for sub-measure 1.3.4. “Planting of land not used for farming”. Due to the fact that no application of the sub-measure 1.3.3 “Establishment of associations of forest owners” was registered, this sub-measure will not be taken in to account.

The next chart and graph show numbers of applications by sub-measure and regions.

**Chart 3: Number of registered applications by sub-measure and region in time period 2004 - 2006**

NUTS II	RD SAIF	Sub-measure			SUM	%
		1.3.1.	1.3.2.	1.3.4.		
Middle bohemia	Praha	2	16	3	21	9,8%
South-west	České Bujějovice	9	32	8	49	22,8%
North-west	Ústí nad Labem	16	9	1	26	12,1%
North-east	Hradec Králové	4	21	4	29	13,5%
South-east	Brno	6	41	4	51	23,7%
Middle Moravia	Olomouc	18	12	3	33	15,3%
Moravskoslezsko	Opava	3	2	1	6	2,8%
SUM		58	133	24	215	100,0%
Average		8,29	19,00	3,43	30,71	14,30%

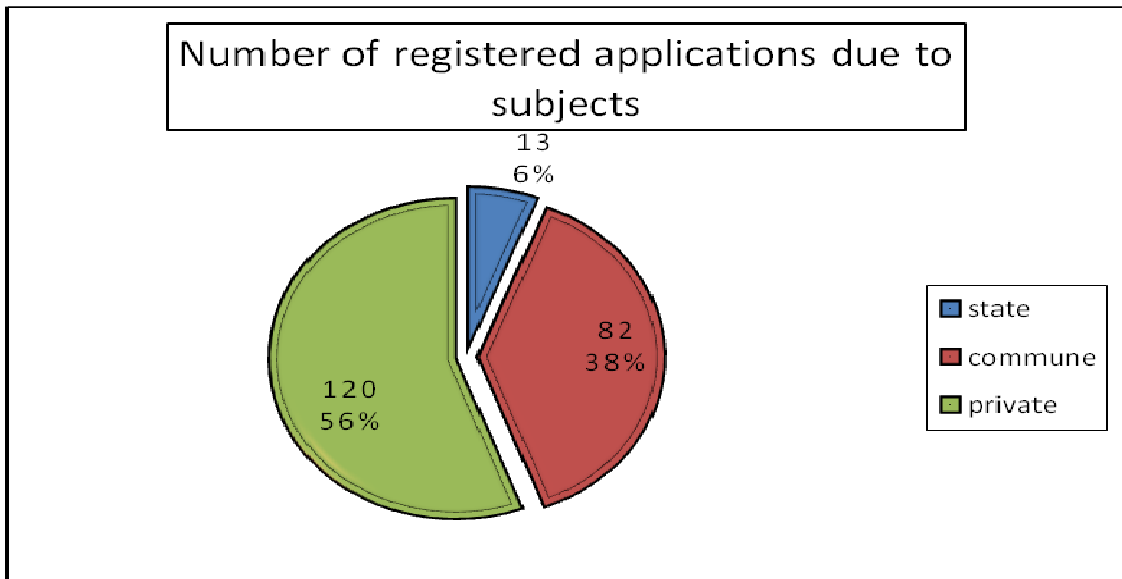
**Graph 3: Received applications due to RD SAIF**



The majority of foresters were interested in this kind of financial help in the South-east region ( RD SAIF Brno received in total 51 applications in 2004 – 2006). The second most active region was South-west (RD SAIF České Budějovice received 49 applications). On contrary the Moravskoslezsko region (RD SAIF Opava) received just 6 applications which is an extremely low number. I would see this deviation in a global point of view. The statistics show that exactly this region is the one with the highest unemployment and personal income is lower than in other places of the Czech Republic. Of course, this is not the only reason. There could be insufficient information system from the part of state institutions, which have to make some active propagation and supporting projects to motivate other people to continue in such a way.

Generally I can say that the quantity of registered applications by the regions do not reach the potential possibilities and it will be necessary to do some more profound analyses according to individual sub-measures and time period. The amount of registered applications depend on many factors such as area of the forest in each region, health conditions of forests, structure of forest stands or forest infrastructure but it also depends on by whom it is owned. The distribution according to ownership of forest in the Czech Republic can be observed in the following graph.

**Graph 4: Amount of registered applications due to subjects**



The State Forest Enterprise owns the majority of forest area of the Czech Republic. The State is the only owner and its workers have a high qualification. It applied for 6% of all applications.

The communal forest companies, (the city forests, communal forests and spa forests) manage 15.4% of Czech forests but about half of them are managing an area smaller than 10 ha.

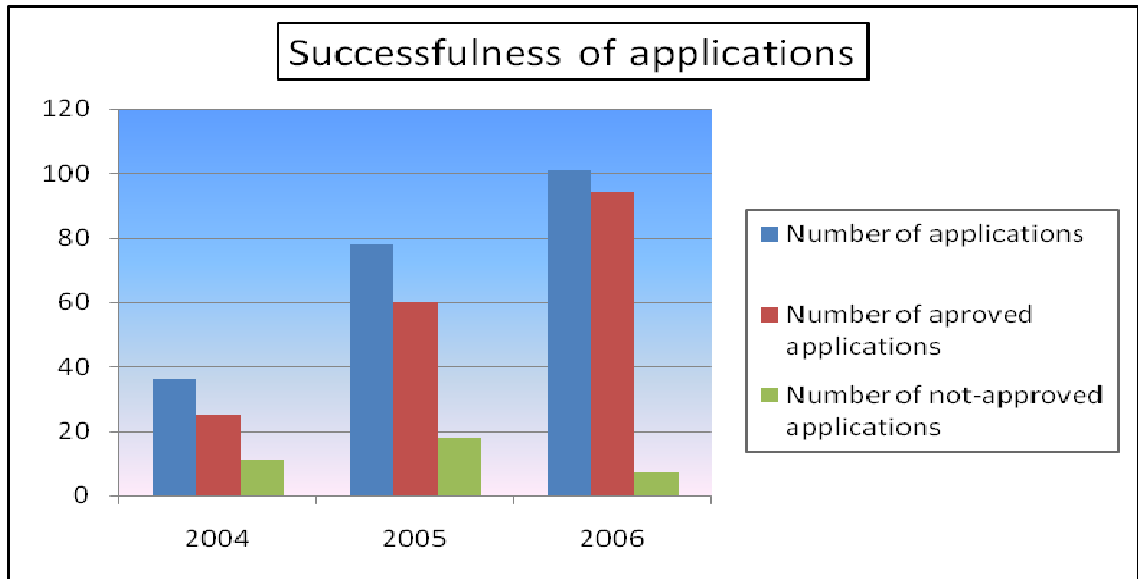
There are many private owners of forests (about 150 000) and area of their forests reaches 23.1% but 77% manage forests smaller than 1 ha. Seeing this graph, it is quite clear who gets most of the subsidies for the Czech forestry.

As I mentioned above, there were 215 applications submitted during the time period 2004 – 2006. The success of the applications, which can be observed below, is a very important point.

**Chart 4: Division of applications by years and success**

	2004	2005	2006
Number of applications	36	78	101
Number of approved applications	25	60	94
Number of not-approved applications	11	18	7
Percentage of success	69%	77%	93%

**Graph 5: Success of applications in the time period 2004-2006**



These numbers are very positive because of the continuous increase of applications (it points out a higher demand for these financial sources as well as better awareness of a possibility to get subsidies for the applicants). No matter the highest number of not-approved applications archived in 2005, success of applications in percents is much more important indicator. This indicator gives us again a very positive value because it improved with every other year and especially in the 2006 where 93 % of all applications were evaluated as suitable. This situation indicates that applicants have with the time better knowledge preparing the project.

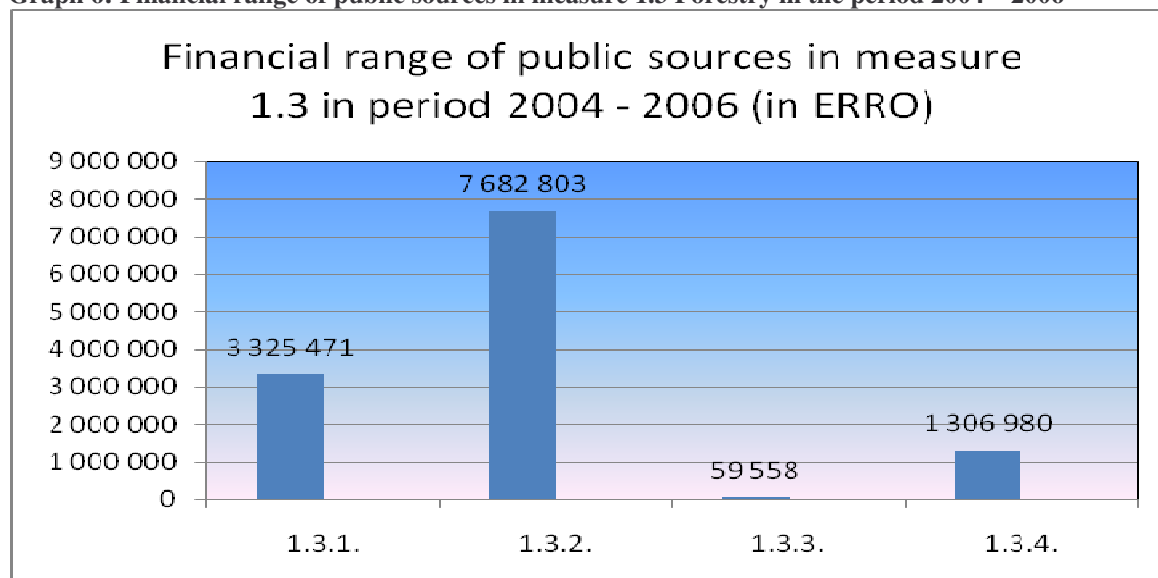
## Comparison of individual sub-measures

Following chart describes the division of financial sources for each individual year and individual sub-measure. The prices consist of public sources only the private (indicative) sources are omitted.

**Chart 5: Allocation of financial resources in individual sub-measures (in EURO)**

sub-measure	2004	2005	2006	sum
<b>1.3.1.</b>	856 258	1 074 835	1 394 378	3 325 471
<b>1.3.2.</b>	1 885 730	2 523 429	3 273 644	7 682 803
<b>1.3.3.</b>	0	25 925	33 633	59 558
<b>1.3.4.</b>	142 271	506 988	657 721	1 306 980
in EURO				12 374 812

**Graph 6: Financial range of public sources in measure 1.3 Forestry in the period 2004 – 2006**

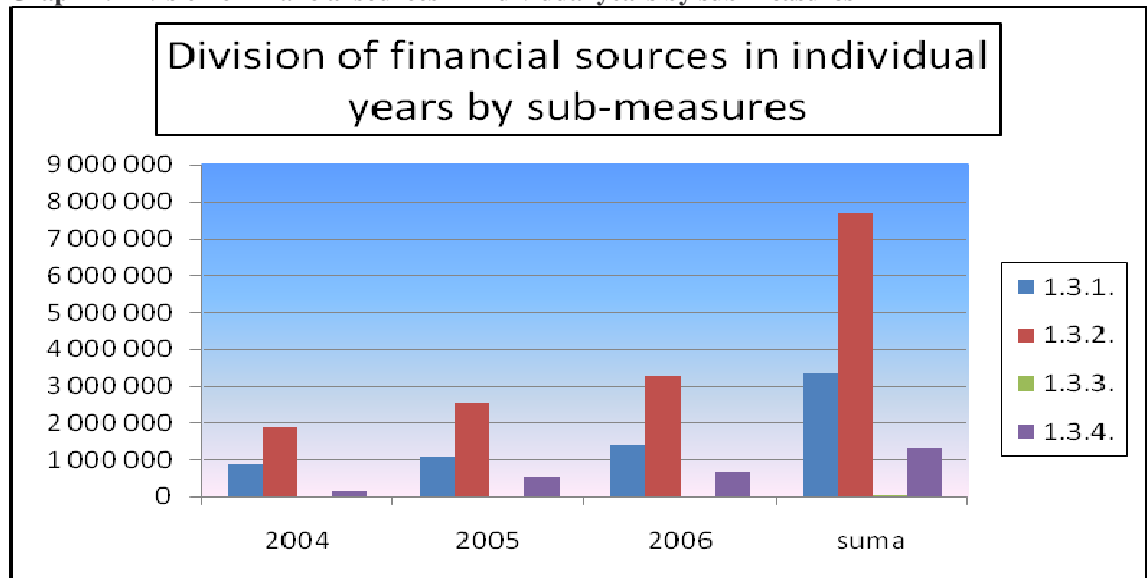


The highest amount of finance investments was set aside for the sub-measure 1.3.2. „Investment to the forests”, it makes 15.37 millions € (this sub-measure is a shared by 50 % from private resources and 50 % from public resources that has create 35 % EU benefit and 15 % benefit from the Czech Republic) follows by sub-measure 1.3.1 “Restoring forestry potential damaged by natural disasters” with 27 % of total financial sources.

The sub-measure 1.3.3. is shared by public and private resources as well, and so the amount of the subsidies can reach just 50% of expenditures. The sub-measure 1.3.1 and

sub-measure 1.3.4 “Planting of land not used for farming” can be covered by 100 % of all expenditures.

**Graph 7: Division of financial sources in individual years by sub-measures**



Each year, the division of the subsidies is relatively identical for each sub-measure. The highest amount of sources takes the sub-measure 1.3.2. “Investments in forests” (it is about 77 % of all financial resources every year), far less money receive the rest of instruments. The sub-measure 1.3.1. “Restoring forestry potential damaged by natural disasters” gets each year about 17 % of total amount, the instrument 1.3.3. “Establishment of associations of forest owners” wasn’t set aside any money in 2004 and in the next two years just 1 % of total amount. Relatively considerable increase of financial sources was achieved by the sub-measure 1.3.4. “Planting of land not used for farming”, (from 3 % to 8 %).

Next step I will point to success of applications for individual sub-measure. This could be helpful when probing the most problematic sub-measure.

**Chart 6: Approved and non-approved applications within individual sub-measures**

Sub-measure	Approved Applications			Total	Non-approved applications			Total
	2004	2005	2006		2004	2005	2006	
1.3.1.	12	14	19	45	3	9	1	13
1.3.2.	12	37	65	114	7	8	4	19
1.3.3.	0	0	0	0	0	0	0	0
1.3.4.	1	9	10	20	1	1	2	4
Total	25	60	94	179	11	18	7	36

It is obvious from the chart that the highest amount of non-approved applications was reached by the sub-measure 1.3.2. It was mainly in the first two years, when the foresters still did not know properly how to apply for subsidies or after submission found out that they have not enough money to reach the project. Although this sub-measure has many unsuccessful applications with respect to high amount of total applications it becomes the most successful sub-measure. 86 % of all applications were find as suitable.

**Chart 7: Successful of individual sub-measures**

Sub-measure	1.3.1.	1.3.2.	1.3.4.
Percentage of success	78%	86%	83%

On the other hand, the sub-measure 1.3.1 reached less than 80 % of approved project. This high percentage could be caused by the intrinsic characteristic of the instrument: people must react very fast (after the disaster the wood must be removed from the forest because of the danger of fungi or pest attack) and so they have no very much time to prepare the project.



## Analysis of individual sub-measures

### Sub-measure 1.3.1.

**This measure can be divided from matter progress point of view into two groups:**

- Protective measure dealing with protection of stands
  - protective measures focused on forestalling and reduction of damages caused by disasters in forests, exceptional measures caused by disasters of biotic and abiotic agents (mostly insects, fungi, climatic factors etc.)
  - reconstruction of damaged forest stands
  - remaining of forest after calamity tending
- Flood and erosion control
  - doing of preventive flood controls on small watercourses and their catchments
  - removing of damages caused by floods on small watercourses and their catchments

#### General information

58 subjects applied for this sub-measure in the time period 2004-2006. From that, 13 applications were not approved. That means that 45 applications fulfilled the requirements.

**Chart 8: Applications in sub-measure 1.3.1**

	2004	2005	2006
Amount of applied applications	15	23	20
Amount of approved applications	12	14	19
Amount of non-approved applications	3	9	1
Percentage of success	80,00%	60,87%	95,00%

The highest number of applications was achieved in 2005, but as you can see (chart 8) the success of the projects was very low. Afterwards it will need to be analyzed deeply because 60 % of success is really too little. From this point of view (percentage of success) seems to be the best year 2006 where almost all applications fulfilled the

conditions for applying. The amount of approved applications has predicted very positive trend for the future because of increasing rate year by year.

Almost 95 million CZK were divided among the applicants within the sub-measure 1.3.1 in the time period 2004 – 2006.

**Chart 9: Division of allocated sources in sub-measure 1.3.1**

	2004	2005	2006	Total
Amount of allocated subsidies	27 400 256	30 095 380	36 253 828	<b>93 749 464</b>
Amount of approved subsidies	23 491 150	28 615 567	42 479 379	<b>94 586 096</b>
% range of allocated and approved sub.	97,81%	79,56%	119,19%	<b>101%</b>
Contribution of EU	18 792 917	19 188 542	32 591 147	<b>70 572 606</b>
Contribution of EU in %	80%	67%	77%	75%
Contribution of Applicant on the costs	0%	0%	0%	<b>0%</b>

From economic point of view, this sub-measure was the most successful. All available financial sources were used and the approved subsidies even exceeded the allocated amount of money what could be actually caused by the unexhausted sources from the other sub-measures (especially 1.3.4) and their transfer into this sub-measure.

### **Analysis of individual instruments**

Following part of my analysis will be focused on individual instruments within this sub-measure and their deeper description.

**Chart 10: Number of applications for each indicator**

Year	Reconstruction - No. Of applications	Restoration after disaster - No. Of applications	Forestalling of damages - No. Of applications	Flood control - No. Of applications	Total
2004	7	3	0	5	15
2005	6	7	1	6	20
2006	2	12	1	4	20

From this chart is visible the small increase of applications between the years. The foresters are applying more and more for the restoration (which reached the highest increase and also the amount of applications) and less for the reconstruction of forest stands. Forestalling of damages is also becoming a bit more important. The flood

control keeps the value around 5 applications per year but the amount of money used for each project are much higher than in the case of stand protection as can be seen below.

The range of area where the protective measure was established (in hectares) and length of regulated water streams (in kilometres) is very important also.

**Chart 11: Amount of hectares**

Year	Reconstruction - Area [ha]	Restoration after disaster - Area [ha]	Forestalling of damages - Area [ha]	Flood control - Area [km]
2004	31,000	10,410	0,000	25,060
2005	35,027	10,087	0,060	3,756
2006	3,910	104,240	145,000	7,618

From this point of view, a significant increase took place between the two last years of the instruments restoration of damaged forests stand and forestalling of damages, where just one project was registered. On the other hand, we can see a decreasing rate of the instrument reconstruction of damaged forest stands. It can be deduced that the trend is that foresters are applying more for restoration than for reconstruction. In the case of flood control the indicator is not very objective because it does not show if all watercourses were repaired or there were carried out just some smaller treatments of some segments of the river.

**Average subsidies:**

**Protection of stands**

Carrying out a deeper analysis of the part dealing with protection of stands is very problematic because of the fact that applicants applied for reconstruction and restoration within one project. Data available for my work do not distinguish the amount of money used for each operation. It is difficult to decide which part of the subsidy was used for reconstruction and which one for restoration. This fact distorts the value of average subsidy.

To get objective results I was calculating with the areas just one time, although they get subsidies for both operations (reconstruction and restoration). By this way I get smaller area and so higher amount of average subsidies.

**Chart 12: Average subsidy (by area)**

Subsidies for protection (CZK)	Area of protective measures (ha)	Average subsidy (CZK/ha)
19 716 057	322,2372	61 185

### **Flood control**

By similar way I made analysis of the second part concerning the flood and erosion control. The average aid<sup>1</sup> contains the following chart.

**Chart 13: Average subsidy of the instrument - flood control**

Subsidies for repaired watercourses (CZK)	Longitude of watercourse (km)	Average subsidy (CZK/km)
74 465 492	36,4340	2 043 846

This average subsidy is also disputable. In this case it is caused by the statistical characteristics of the mean. There is a high undesirable influence of low or high numbers. One application for restoration of watercourse, with longitude 18.95 km covered by price 0.97 millions CZK, occurs in my analysis and this very low amount in comparison with the rest of applications influences the average subsidy. I compiled one more chart of average subsidy without this item to obtain more valuable results.

**Chart 14: Average measure of the Instrument – flood control (after adjustment)**

Subsidies for repaired watercourses (CZK)	Longitude of watercourse (km)	Average subsidy (CZK/km)
74 465 492	17,484	4 259 065

Money was used mostly for flood controls in watercourses. There were monitored 7 applications. It could be caused by two big floods in last 11 years and by the need of improvement of our watercourse flood control. The rest of applications were evenly spread, just two of them, with relatively high amount of money, were used for reparation after floods, what was closely connected with the floods I have mentioned above.

74.5 millions CZK were used for floods protection whereas for protection of stand just around 20 million CZK. It gives four times more money for the floods protection.

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<sup>1</sup> in CZK for 1 km of watercourse longitude

### Evaluation according to region

Applications were registered in 6 regions<sup>2</sup> for the sub-measure 1.3.1 during the period under consideration.

**Chart 15: Amount of subsidies into sub-measure 1.3.1 divided by the region**

NUTS II	No. Of applications	Amount of subsidies (CZK)	Subsidy from State budget	Subsidy from EU
Middle-Moravia	17	48 264 907	9 652 986	38 611 921
South-east	5	19 637 910	3 927 583	15 710 327
South-west	7	7 575 088	1 515 019	6 060 069
North-west	12	11 928 716	2 385 746	9 542 970
North-east	2	6 407 413	1 281 483	5 125 930
Middle-Bohemia	1	367515	73503	294012

It is obvious that the region *Middle-Moravia* have got more than a half of total amount of subsidies. Just 5 applications were registered in the region *South-east* but this was enough to place the second position from the received money point of view. Detailed description is provided by the next chart.

**Chart 16: Amount of subsidy for individual types of investment intention by regions**

NUTS II	Protection of stands		Flood control	
	No. Of applications	Subsidy (CZK)	No. Of applications	Subsidy (CZK)
Middle Moravia	10	4 687 971	7	43 576 936
South-east	5	2 538 693	3	18 875 451
South-west	4	2 073 262	4	5 501 826
North-west	8	10 048 616	1	2 577 374
North-east	0	0	2	6 407 413
Middle Bohemia	1	367 515	0	0
<b>Total</b>	<b>28</b>	<b>19 716 057</b>	<b>17</b>	<b>76 939 000</b>

For both instruments (protection of stands and flood control), foresters applied in 5 regions. In the case of Protection of stands the most successful region was *North-west* where the average expenditures for one project reached about 1,25 millions CZK and in total had taken more than 10 million CZK. From number of projects point of view region *Middle-Moravia* placed the first place. The second instrument (Flood control) used the main portion of allocated money for this sub-measure, as it is obvious from the

<sup>2</sup> by NUTS II categorization

chart above. Only in the region *Middle-Moravia*, which was actually the most successful, double of the financial sources than for all regions was spent within the Protection of stands. The difference between the two instruments and the money they apply for is also very important. It is visible that the flood control is much more finance demanding than the protection of stands.

### **Evaluation according to ownership**

For basic evaluation I have divided the owners into four groups: *state*, *community*, *natural person* and *corporate body*.

**Chart 17: Category of applicants for 1.3.1 sub-measure**

Category	No. Of applications	Amount of subsidies (CZK)	Subsidy from State budget	Subsidy from State budget
Natural person	15	6 508 915	1 301 786	5 207 129
State	11	59 933 090	11 986 621	47 946 469
Corporate body	11	22 661 203	4 549 784	18 199 124
Community	8	4 990 636	998 129	3 992 507
Total	45	94 093 844	18 836 320	75 345 229

There were 45 successful applications in period under consideration. The majority was filed by *natural person*. The state company Lesy české republiky (as the only one representative of state ownership) has got the highest amount of money. Sometimes, companies (inside the community forests) can be established by purposes of management in forests (mostly limited liability Company) and due to this fact there can be community forests in the group of *corporate bodies*. I decided to divide community forests into *community* and *corporate bodies*. The group *natural person* can be divided into big and small<sup>3</sup> for better imagination of the situation.

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<sup>3</sup> the limit is 200 hectares

**Chart 18: Category of applicants for 1.3.1 sub-measure – deeper analysis**

Category	Sub-category	No. Of applications	Amount of subsidies (CZK)	Subsidy from State budget	Subsidy from State budget
Natural person	Small	13	5 163 915	1 032 786	4 131 129
	Big	2	1 345 000	269 000	1 076 000
	<b>Total</b>	15	6 508 915	1 301 786	5 207 129
Community	Community	8	4 990 636	998 129	3 992 507
	Corporate body	8	20 247 431	4 067 029	16 268 107
	<b>Total</b>	16	25 238 067	5 065 158	20 260 614
Corporate body		3	2 413 772	482 755	1 931 017
State		11	59 933 090	11 986 621	47 946 469
<b>Total</b>		45	94 093 844	18 836 320	75 345 229

After such changes, *communities* become as the most proactive group from the number of application point view and the second most important in amount of money. The subject who got the majority of the finance was, of course, the state forest company Lesy České republiky which is managing more than 60 % of Czech forests and is playing a very important role in the flood control task.

### **Conclusion:**

The sub-measure 1.3.1 was the only one where applicants were able to accomplish the plan and exhaust whole amount of finances. Demand for these subsidies exceeded the allocated amount of finances for about 0.4% and so, at the end all the available amount of money was used.

The highest amount of money was spent in 2006 when the number reached almost the same value than the two previous years together. In the same year, just one non-approved was registered application and the success of approval was 95 % what is the highest value of all sub-measures and years.

This sub-measure includes four monitored indicators which can be split among two main groups: protection of forest stands and flood control. The analysis shows that much more money was used on flood control (almost four times) than for the forest protection. The main position of the region *Middle Moravia* is obvious. Half of all allocated subsidies used within this sub-measure found the owner in this region. The instrument dealing with flood protection was totally dominating within this sub-measure. That could be influenced by the frequent occurrence of floods in last ten years.

## Sub-measure 1.3.2

Sub-measure 3.2.2 can be divided by matter aspect into four groups

- a) construction, reconstruction or modernization of forest road network
- b) construction, reconstruction or modernization of arrangement influencing water regime
- c) support of activities contributing to regulation of attendance of forest
- d) buying of new machinery and device to maintenance and reparation of forest the road network, footpaths and pathways, to maintenance and cleaning water bodies, watercourses and ameliorative network, and to buy environmental technologies using in forestry

### General information

In this sub-measure, 133 applications were registered in aggregate, and from that quantity, 49 applications were successful in 2004 and 2005 and 62 applications in 2006.

**Chart 19: Applications in sub-measure 1.3.2**

	2004	2005	2006	Total
Number of applications	19	45	69	133
Number of approved applications	12	37	62	111
Number of not-approved applications	7	8	7	22
Percentage of success	63%	82%	90%	83%

All monitored factors show a positive trend. The amounts of applications as well as percentage of success were rising year by year. Non-approved applications keep a constant value. The only weak point was the very low percentage of success in the first year.

For better understanding, I will divide these applications into individual groups.

**Chart 20: Number of applications for individual instrument**

Year	Forest roads (a)	Arrangement of water regime (b)	Attendance of forests (c)	Machinery (d)	Total
2004	3	3	0	6	12
2005	12	4	0	21	37
2006	10	7	1	44	62
Total	25	14	1	71	



There is an evident increase of applications within all instruments. This seems to be very positive because we can deduce a higher interest and knowledge from the foresters. There was none application for the support of attendance of forest in the two first years but already in the next year one successful (and one unsuccessful) project can be found concerning tourist paths and educational paths.

**Chart 21: Division of allocated sources in sub-measure 1.3.2**

	2004	2005	2006	Total
Amount of allocated subsidies	60 343 360	70 656 012	85 114 744	<b>216 114 116</b>
Amount of approved subsidies	25 427 988	46 386 877	120 304 016	<b>192 118 881</b>
Range of allocated and approved sub.(%)	42,14%	65,65%	141,34%	<b>89%</b>
Contribution of EU	17 799 587	36 541 018	87 854 618	<b>142 195 223</b>
Contribution of EU in %	70%	79%	73%	<b>74%</b>
Contribution of Applicant on the costs	56%	54%	45%	<b>52%</b>

It is evident that after the final evaluation some money will remain within this sub-measure. It was caused by the situation in the first year, when foresters did not know well how to apply, had not time enough to do all the paperwork and so applied in next years. This is visible from the situation in the year 2005 when increased the amount of used subsidies more than two times, and in the last year, it increased even five times in comparison to the first year. In the year 2006, the approved subsidies exceeded the allocated sources by 35 million CZK and it was covered by the remained sources of the previous years. This sub-measure has a big potential for the future because the administrative process is not so complicated (especially in the case of buying new machinery) and the only problem is to have covered a half of the project costs.

### **Analysis of individual instruments**

Unfortunately, I was not able to get all the necessary data for the year 2006 due to unfinished administration (especially controls) and so I did not count with that year.

Absolutely, the highest amount of subsidies was given for buying new machinery, followed by the reconstruction and modernization of forests road. The instrument reconstruction and modernization of arrangement influencing water regime reached the lowest interest.

**Chart 22: Values of indicators for sub-measure 1.3.2**

Year	Longitude of forest roads (km)		Volume of holding reservoirs (m <sup>3</sup> )		Area of melioration (ha)	
	Constructed	Reconstructed and modernize	Constructed	Reconstructed and modernize	Constructed	Reconstructed and modernize
2004		6,419	20 826	3 083		0,1
2005		24,694	3 931	11 550		2

There was a significant increase between the years under considerations in the reconstruction and modernization of forest roads but in comparison with the density of forests road network it is still a very small number. Similarly, the volume of holding reservoirs has, from the flood control point of view, just local importance. The machinery achieved increase as well, but nobody applied for power saw and automotive truck. The most popular machine was tractor as you can see in the following chart.

**Chart 23: Number of bought machines**

Year	Tractor	Logging machine	Clam skidder	Forwarder	Others machines
2004	6	1	3	0	6
2005	9	2	6	3	6

### **Average subsidies and costs**

To calculate the average subsidies and costs I had to divide this sub-measure by the groups, as was done above, and calculate each group separately.

#### **The first one is a) reconstructed and modernized forest roads**

In the case of construction of forests roads, all projects were based on the reconstruction or modernization, and none of them for the construction of new roads.

**Chart 24: Average subsidies for 1 kilometre of reconstructed forest road**

Year	Longitude of forestry roads (km)	Amount of subsidy (CZK)	Total cost (CZK)	Average extend of subsidy (%)	Amount of subsidy (CZK/km)	Total cost per kilometre (CZK/km)
2004	6,419	2 196 452	4 392 904	50	342 180	684 360
2005	24,694	16 988 291	35 247 827	47,83	687 952	1 427 384
Total	31,113	19 184 743	39 640 731	48,27	515 066	1 055 872

From the chart it is obvious that the costs for 1 kilometre of reconstructed road increased almost two times. However, this indicator is not very objective because can't take into account the state of the road before the reconstruction. The average extend of the subsidy was around 50%.

**b) construction, reconstruction or modernization of arrangement influencing water regime**

The second group is dealing with the reconstruction and modernization of the arrangement influencing water regime. I had to split this group among three sub-groups: new reservoirs and reconstructed reservoirs, because these are two different actions, and furthermore the reconstructed melioration.

**Chart 25: Average subsidy and total cost per 1 kilometre of reconstructed and modernized arrangement influencing water regime**

	Year	Volume (m <sup>3</sup> )	Amount of subsidy (CZK)	Total cost (CZK)	Average subsidy (%)	Amount of subsidy per kilometer (CZK/km)	Total cost per kilometer (CZK/km)
New Reservoirs	2004	20 826	3 736 339	7 472 678	50	179	359
	2005	3 931	556 985	1 179 433	48	142	300
	Total	24757	4 293 324	8 652 111	48,33	173	349
Reconstructed Reservoirs	2004	3083	1 789 808	3 579 616	50	581	1 161
	2005	11550	2 040 000	4 080 000	50	177	353
	Total	14633	3 829 808	7 659 616	50	262	523
Reconstructed Melioration	2004	0,1	336 446	672 892	50	3 364 460	6 728 920
	2005	2	77 102	220 291	35	38 551	110 146
	Total	2,1	413 548	893 183	42,5	196 928	425 325

The new reservoirs group kept the cost in more or less, balanced value, what in this case shows good chosen indicator. On the other side, the reconstructed and modernize reservoirs had the costs very variable as you see from the chart, what can be caused, among others, by the different state of the reservoirs before the reparation (similarly as in the reconstruction of forest roads). The evaluation of melioration by using the area (hectare) is not very good, due to the exclusion of information about quality or density of melioration network.

As I mentioned before, there was no subsidy for **c) Attendance of forests** during 2004-2005 so I will not evaluate this sub-measure.

#### **d) Buying of new machinery and device**

**Chart 26: Average subsidy and total cost per one bough machine**

Year	Amount of subsidy (CZK)	Average subsidy (CZK)	Total cost (CZK)	Number of machines	Amount of subsidy (CZK/machine)	Total cost per machine (CZK/machine)
2004	17 368 943	42,33	42 167 645	16	1 085 559	2 635 478
2005	32 539 086	43,52	75 600 019	26	1 251 503	2 907 693
Total	49 908 029	43,26	117 767 664	42	1 188 286	2 803 992

Unfortunately, these results have just statistical value about the average cost for a machine. There were applications containing more than one machine (often different types). Since it was not possible to find out the costs for individual machine from the data available for my work I have counted only such applications obtaining a concrete machine.

#### **Evaluation according to region**

Successful applications for the sub-measure 1.3.2 could be found in six regions. The following analysis contains the European subsidies together with the National ones, because by this way, a better explanation of the difference between the total subsidized money and the private sources from the applicants can be provided.

**Chart 27: Amount of subsidies into sub-measure 1.3.2 – by region**

NUTS II	No. Of applications	Amount of subsidies (CZK)	Subsidy from State budget	Subsidy from EU	Total costs (CZK)	Average amount of subsidy (%)
South-east	16	62 239 927	18 671 988	43 567 939	130 486 800	47,7%
South-west	10	51 875 712	15 562 717	36 312 995	108 585 773	47,8%
North-east	9	24 563 908	7 369 177	17 194 731	56 625 110	43,4%
North-west	4	11 732 175	3 519 653	15 933 331	23 768 046	49,4%
Middle-Bohemia	7	25 292 670	7 587 804	17 704 866	51 297 457	49,3%
Middle-Moravia	3	22 229 076	6 668 725	15 560 351	44 458 152	50,0%

The highest number of applications as well as highest amount of subsidy was carried out by the region of *South-east*. The mean amount of subsidy was only 48%. This means that the applicant paid 52% of total costs of new machinery, forest road etc. It is obvious that two southern regions were the most active within this sub-measure. They have got almost half of all sources. There can be many reasons. To find out why, some additional research has to be done.

For this sub-measure, a deeper analysis has to be done, containing all individual programmes, because this sub-measure was exactly the most used, and these programmes differ a lot one of other. The next chart contains descriptions of individual programmes.

**Chart 28: Mean amount of subsidy for individual types of investment intention by regions**

	Region	No. Of Applications	Amount of subsidy (CZK)	Total cost (CZK)	Average subsidy (%)
<b>Forest roads</b>	South-east	9	14 818 864	25 415 773	58%
	South-west	3	2 089 827	3 614 092	58%
	North-east	3	1 576 194	3 226 570	49%
	North-west	1	785 949	1 637 394	48%
	Middle-Bohemia	4	10 041 876	20 405 669	49%
	Middle-Moravia	5	12 950 518	25 901 036	50%
	<b>Total</b>	<b>25</b>	<b>42 263 228</b>	<b>80 200 534</b>	<b>52%</b>
<b>Water regime</b>	South-east	8	6 275 213	12 614 797	50%
	South-west	2	3 998 739	7 997 478	50%
	North-east	3	548 464	1 163 015	47%
	Middle-Moravia	1	2 040 000	4 080 000	50%
	<b>Total</b>	<b>14</b>	<b>12 862 416</b>	<b>25 855 290</b>	<b>49%</b>
<b>Machinery</b>	South-east	19	39 589 715	84 311 262	47%
	South-west	23	45 787 146	96 408 641	47%
	North-east	15	22 439 250	52 235 525	43%
	North-west	6	10 946 226	22 130 652	49%
	Middle-Moravia	3	12 232 475	24 464 950	50%
	Middle-Bohemia	6	3 018 319	6 426 838	47%
	<b>Total</b>	<b>72</b>	<b>134 013 131</b>	<b>285 977 868</b>	<b>47%</b>

The chart contains information for all three years. I decided not to do the analysis separately for each year because the regions do not obtain the same type of applications for all years. Also, the amount of subsidies includes the EU sources as well as the national ones for better calculation of the subsidized range of total costs. It is obvious that the most wanted instrument is buying machinery (in number of applications as well as amount of money). All regions participated in this programme and, except the *Middle-Bohemia*, all of them reached high numbers. Under this programme can be seen the biggest difference between the regions. The southern areas of the Czech Republic (*South-east* and *South-west*) applied for 64% of all allocated sources. In that area, foresters know how to get the subsidies and are very interested on it. They were buying mostly tractors, in five regions in both years. As the second most wanted machine placed clam skidder (bought in four regions). The demand for logging machines like harvesters (in three regions) or forwarders (in two regions) was not very high.

The largest leg of forestry roads was reconstructed in the *South-east* region, followed by *Middle-Bohemia* and *Middle-Moravia*. The highest rate of subsidies per application can be found also in these three regions (what means that there the projects were made more complete with more kilometres of repaired road etc.). While in the rest of the Czech Republic the rate was about 700,000 per application in these tree regions it was about 2.5 millions CZK.

Subsidies for construction, reconstruction or modernization of arrangements influencing water regime reached the highest values in the southern regions again. It was almost 80% of all financial sources allocated for this programme. This situation can be explained by the higher amount of watercourses, lakes, reservoirs etc. in these areas.

The creation of new retention reservoirs was supported only in two regions (biggest content in *South-west*) and reconstruction of reservoirs was supported just in two regions (biggest content in *Middle-Moravia*) and the reconstruction of melioration network was supported in entirely one region (*North-west*).

### **Evaluation according to ownership**

For a basic evaluation I took into account only two types of ownerships: *Natural person* and *corporate body*.

**Chart 29: Category of applicants for 1.3.2 sub-measure**

Category	No. Of Applications	Amount of subsidy (CZK)	Total costs (CZK)	Average subsidy (%)
Natural person	56	115 953 615	246 039 355	47,1%
Corporate body	55	81 979 853	169 181 982	48,5%

Although the number of applicants is more or less balanced, the group *natural person* applied for more money. 111 subjects applied successfully for investments in forests during 2004 – 2006. State corporations were eliminated from this sub-measure. As I said in the case of the sub-measure 1.3.1, the community establish often companies which in my analysis become under *corporate body* and so the chart above gives not exact evidence. Applications of cooperatives occur also within this sub-measure (in one case cooperative of communities). Again, I divided again the group of *natural person* into small and big (limitation 200 hectares).

**Chart 30: Category of applicants for 1.3.2 sub-measure – deeper analysis**

Category		No. Of Applications	Amount of subsidy (CZK)	Total costs (CZK)	Average subsidy (%)
Natural person	Small	38	85 403 073	85 965 591	47,2%
	Big	18	30 550 542	37 573 206	47,1%
	Total	56	115 953 615	123 538 797	47,1%
Community ownership	corporate body	28	56 658 239	52 552 735	49,0%
	cooperative of villages	1	736 000	1 840 000	40,0%
	Total	29	57 394 239	54 392 735	48,9%
Corporate body	corporate body	24	20 878 444	23 505 065	49,1%
	cooperative	2	3 707 170	9 267 925	40,0%
	Total	26	24 585 614	32 772 990	47,5%
<b>Total</b>		111	197 933 468	210 704 522	47,7%

From this deeper analysis it is obvious who is the most often applier within this sub-measure. One third of all applications came from the side of small *Natural person*. This subject also reached the highest value of money per application (2.25 million CZK). I think that exactly these small companies need the subventions because they manipulate with small amounts of money and so they need some help. I find this situation as very positive and the trend seems to be favourable because in the last year (2006) increased from 14 to 38, what is the highest increase from all the subjects.

### **Conclusion:**

We can assure that, within the Operative Programme, this sub-measure received the highest amount of money. The number of applications corresponds with this situation, and also, this sub-measure reached the absolutely highest position.

Although in 2006 was given about 41% more money that was planed, it wasn't sufficient amount to settle looses from the previous years. Here, the main problem of the measure 1.3. could be found. The whole measure got into deficit (in the case of exhausted money) due to the poor interest from foresters side in 2004 and 2005. From the future point of view, this result is very positive because of the increasing rate of sources used. Exactly this sub-measure should play the prime in subsidies to the forestry for the next period.

Within the sub-measure, the most wanted instrument was buying new machinery, (in three years about 134 millions CZK) especially, tractors and claim skidders.



## Sub-measure 1.3.4

There is just one investment intention for the sub-measure 3.2.4:

- afforestation of land not used for farming and maintenance of young forest stands until they are secured

Subjects submit for afforestation and support of subsequent solicitude in one application in one time and in the same plot unlike follows programme HRDP

### General information

There were 24 applications were registered during the time period 2004 – 2006. The chart below contains their division into years and the success of each one.

**Chart 31: Applications in sub-measure 1.3.4**

	2004	2005	2006
Amount of applied applications	2	10	12
Amount of approved applications	1	9	10
Amount of non-approved applications	1	1	2
Percentage of success	50,0%	90,0%	83,3%

The first year just 2 subjects applied and one of them did not fulfil required condition. In the next two years, more applications were received and the success of applicants also increased. It is obvious that this situation was caused by the small experience of foresters in the first year. Following years show a positive trend.

Finance sources allocated for sub-measure 1.3.4 reached the amount of approximately 36.66 million CZK. The comparison between allocated and approved sources, contributions of EU, as well as the number of applicants are visible in the following chart.

**Chart 32: Division of allocated sources in sub-measure 1.3.4**

	2004	2005	2006	Total
Amount of allocated subsidies	4 552 672	14 195 664	17 100 746	<b>35 849 082</b>
Amount of approved subsidies	231 583	5 088 000	1 653 437	<b>6 973 020</b>
Range of allocated and approved sub. in %	5%	36%	10%	<b>19%</b>
Contribution of EU	173 686	3 780 588	1240063	<b>5 194 337</b>
Contribution of EU in %	75%	74%	75%	<b>75%</b>
Contribution of Applicant on the costs	0%	0%	0%	<b>0%</b>

The difference between the allocated and approved subsidies was more than 29 million CZK. From this point of view it is possible to declare this sub-measure as the most unsuccessful because subjects exhausted just about 17.4 % of allocated sources. The year 2005 had indicated some improvement but the amount of exhausted subsidies decreased already in the next year although the number of applications reached the highest value.

**Chart 33: Area of afforestation**

Year	No. Of Applications	Area of afforested land (ha)	Area with follows solicitude (ha)	Average area per application (ha)
2004	1	1,49	1,49	1,49
2005	9	34,54	34,54	3,84
2006	10	14,11	14,11	1,41
Total	20	50,14	50,14	2,25

As you can see, from the point of view of applications, there was an increase between the three years. The afforested area reached the highest number in 2005 and decreased in the following year, what means that much smaller areas have been afforested within the individual projects in 2006.

### **Average subsidies**

The total amount of subsidies reached for this sub-measure 5 272 386 CZK in the time period under consideration. The chart below indicates the division in years and also the average amount of subsidies per afforested hectare.

**Chart 34: Average amount of subsidies for hectare of afforested land (include follows solicitude)**

Year	Subsidies (CZK)	Area of afforested land and follows solicitude (ha)	Subsidies/ha
2004	231 583	1,4948	154 926
2005	5 040 803	34,5396	145 943
2006	2 018 510	14,1085	143 070
Total	7 290 896	50,1421	147 980

The average subsidy decreased during the three years from 155 thousands to 143 thousands per hectare. The costs are equal to subsidies because the contribution of applicants is 100% of the costs for this sub-measure.

This number comprise from afforesting (92 thousands or 74 thousands CZK/ha), assuring of stand (5x12 = 60 thousands per hectare) and others costs. Charge of these subsidies should be between 134 000 up to 152 000 CZK/hectare (the higher subsidy is for broadleaf trees species). Total costs influence other cost mainly for technical and financial assessment and cost for accounting. Combination of these factors cause that not always the higher subsidy represents more broadleaf trees on the plot.

### **Evaluation according to region**

Unfortunately, the next analysis includes only the years 2004 and 2005 because I was not able to get the information for 2006.

In five regions we could find successful applications for the sub-measure 1.3.4.

**Chart 35: Average subsidy per hectare from regional point of view**

NUTS II	Year	No. Of applications	Amount of subsidies (CZK)	Area with solicitude until are secured (ha)	Subsidy / ha
South-east	2005	2	381 672	2,5785	148 021
South-west	2005	2	3 194 755	22,1037	144 535
North-east	2005	3	1 188 330	8,0413	147 778
Middle-Bohemia	2004	1	231 583	1,4948	154 926
Middle-Bohemia	2005	1	131 646	0,8661	151 999
Middle-Moravia	2005	1	144 400	0,95	152 000
<b>Total</b>		10	5 272 386	36,0344	899 259

Successful applications were submitted in both years only in the region *Middle-Bohemia*, the highest amount of applications came from *North-east* and the largest area was afforested in region *South-west*. Expect some examples, it apply that with increased area is decreasing the mean of subsidy.

### Evaluation according to ownership

For a basic evaluation I divided the ownership into 3 groups – *Natural person*, *corporate body* and *community ownership*. The State was eliminated from this sub-measure. Furthermore, I have divided the *natural person* into two groups (small and big) like in the previous sub-measures, as well as separated the *community ownership* into *community* and *corporate body*.

**Chart 36: Average subsidy per hectare by category of applicants**

Category		No. Of Applications	Amount of subsidy (CZK)	Afforested area (ha)	Subsidy per hectare (CZK)
<b>Natural person</b>	Small	1	212 572	1,3985	152 000
	Big	1	1 225 756	8,6972	140 937
	total	2	1 438 328	10,0957	142 469
<b>Community ownership</b>	corporate body	4	878 579	6,0422	145 407
	community	2	842 080	5,54	152 000
	total	6	1 720 659	11,5822	148 561
<b>Corporate body</b>		2	2 113 399	14,3565	147 209
<b>Total</b>		10	5 272 386	36,0344	146 080

The majority of applications came from communities but the largest afforested area belongs to corporate body. That means that this sub-measure is desirable for the villages and towns owning areas which are difficult to manage, or simply they want to have a forest instead of meadows, which can be more attractive for people living in urban areas.

### **Conclusion:**

Afforestation of agricultural land is a very current topic and many people in the Czech Republic are discussing about it, and they will in the future. I am not the only one who expected this sub-measure to get to the top. However, from about 35.8 million CZK available sources for time period 2004-2006, around 7 million CZK were used. That gives only 19% of allocated financial sources. That number is extremely low and that is the biggest problem within this sub-measure. On the other hand there weren't any difficulties with the approval process. Within the sub-measure 1.3.4, 24 applications were registered and applied for total amount of 7.8 millions CZK. From these numbers, 20 registrations were approved and the reached amount was 7.3 millions CZK.

## **4. Horizontal Rural Development Plan**

The legal framework for the measures to achieve the targets and priorities of the HRDP is basically composed by the Act No. 252/1997, Coll.. On agriculture, it is the most important piece of agricultural legislation. This Act lays down a framework for the granting of supports to agriculture and in a special manner defines supports for non-production functions of agriculture and the assistance for less-favoured areas. The Act envisages programming documents such as the HRDP and the OP.

The Priority of HRDP is the Sustainable development of agriculture, rural areas and their natural resources and to achieve it, the following strategy is being proposed:

### **4.1. Description of HRDP**

#### **Objectives:**

1. To preserve farming in less-favoured areas, to improve the income situation of farmers, especially in the less-favoured areas and to act against their migration from the less-favoured areas
2. To maintain and protect the environment (with an emphasis on the water component) and cultural landscape.
3. To improve the structure of agricultural workforce (in terms of age and education).
4. Alternative use of agricultural land primarily through afforestation.
5. Setting up producer groups for the marketing of products.
6. Support for renewable environmentally friendly energy sources.

We aim to mitigate the differences in farm profitability in less-favoured areas that result from natural conditions, to improve the unfavourable age structure of farmers, to reduce the share of arable land in the total agricultural land area and to provide to a sufficient extent for the farming of agricultural land in conformity with the principles of Good Farming Practice.

This Rural Development Plan contains six so called accompanying CAP measures financed from the EAGGF Guarantee Section, which apply to the whole country (Prague is include):

- Early retirement from farming
- Less-favoured areas and areas with environmental restrictions
- Agro-environmental measures
- Forestry
- Setting up producer groups
- Technical assistance

My work is aimed on Forestry and so I will describe the part dealing with this problematic more deeply.

## **Forestry**

Two sub-measures are proposed within this measure, namely “Afforestation of agricultural land” and “Planting of fast-growing wood species designed for use in energy generation“.

### **Afforestation of agricultural land**

The “Afforestation of agricultural land” sub-measure is proposed in accordance with Council Regulation (EC) No. 1257/1999, Article 31, Commission Regulation (EC) No. 445/2002 and Commission Regulation (EC) No. 963/2003. The proposed sub-measure does not overlap with other measures.

#### **Profile of the sub-measure**

The afforestation of agricultural land is a sub-measure that allows farmers who cultivate agricultural land or owners of agricultural land to obtain support for the afforestation of these parcels. This sub-measure provides scope for a diversification of production that should contribute to the strengthening of the economic and social dimension of the sustainability of agriculture and rural areas. It reduces the share of arable land without a risk of increasing the share of abandoned agricultural land. The afforestation of agricultural land is important from the viewpoint of land use and protection of the environment. Forests are not only an important source of renewable raw material, but

also a landscape forming element with an effect on water regime, soil protection and to a lesser extent they also have a sanitary, recreational, aesthetic and cultural importance. As a continuous scheme, afforestation has been supported since as early as 1994. The support was provided in the form of financial aid. At present it has the form of direct, non-returnable aid. A total of CZK 379.7 million was paid for afforestation during 1994 – 2001. Of this, CZK 226.5 million were paid to afforest 3 753 ha of agricultural land and CZK 153.2 million were provided for the protection of the young forest stands. In 2002, aid totalling CZK 88.9 million was provided to afforest 1 203 ha of agricultural land (i.e. including the protection of young planted forest stands).

### **Beneficiary**

The following may apply for the support for afforestation of agricultural land and for the protection of thus established plantings in order to stabilise them for a maximum period of five years (where in justified cases a state forestry authority decides that the period for establishment is to be longer than five years, the support shall be provided from national sources as a state-aid) and for the compensation covering the loss of income resulting from the termination of agricultural activity:

- owner of agricultural land,
- association of agricultural land owners, provided a written agreement of individual owners is available,
- a person submitting the project, provided a written agreement of individual owners is available (these are the cases when the afforestation project will involve more owners),

provided that the agricultural land parcel to be afforested has been farmed for at least two years before decision of competent authority declaring the agricultural land concerned as a parcel designed to perform the function of forest.

Where support is granted for afforestation of agricultural land owned by public authorities, it shall cover only the cost of establishment.

### **Main features**

**Agricultural land** shall mean for the purposes of this measure actually used arable land, hop gardens, vineyards, gardens, orchards and permanent grasslands,

**Suitability of the measures that are included in the project** e.g. the fact that they are adapted to local conditions and compatible with the environment shall be documented by the following documents that form a part of the application for support:

- a) Document serving as evidence of the ownership of the agricultural parcel to be afforested showing cadastre area, number, parcel type code and the area of the parcels to be afforested (extract from the land register). Where agricultural parcels are owned jointly by several persons, the applicant shall always be the person authorised to act on behalf of the other co-owners, on the basis of a written certified power;
- b) Document of the withdrawal of the land from the agricultural land fund (approval of this withdrawal by the relevant agricultural land fund protection authority pursuant to Article 9 of Act No. 231/1999 Coll.);
- c) Land use decision (Article 39 of Act No. 50/1976 Coll., on regional planning and building regulations (Building Act), as amended by Act No. 262/1992 Coll., Act No. 43/1994 Coll. and Act No. 83/1998 Coll.);
- d) Binding opinion on the afforestation from a relevant nature conservation authority, where the subject of afforestation is an agricultural parcel of an area exceeding 0.5 ha (Article 4 (3) of Act No. 114/1992 Coll., on nature and landscape conservation)
- e) Approval of a competent state forestry administration authority with the afforestation of the agricultural parcel, or a decision of that authority declaring the agricultural land concerned as a parcel designed to perform the function of a forest (Article 3 of Act No. 289/1995 Coll.)
- f) Statement from a district land authority in those cases where the agricultural parcel intended for afforestation is already entered in the land register as an afforested parcel, based on a decision of the district land authority made within reparcelling procedure. The statement from the district land authority shall show the date when the decision on the approval of the proposed land use alterations



entered into force, a reference number and a part of the list of parcels, showing the change in the use of the parcel. (The document stipulated under this point shall substitute the documents referred to in b) to e));

- g) Afforestation project (the scope and form of the project as well as the persons which can draw up an afforestation project shall be set out in an implementing regulation).

**Form, amount and duration of the support**

The support shall have the form of an area payment for afforestation of agricultural land and for the protection of thus established plantings in order to stabilize them, and of a premium to cover the loss of income resulting from the termination of agricultural activity.

- a) the support for planting shall be provided at the following rate

Object of support	Unit	Rate
First afforestation		
a) broadleaves tree species	ha	92 000 CZK (i.e. 2893 EUR)
b) coniferous tree species	ha	74 000 CZK (i.e. 2327 EUR)

- b) the support to protect thus established forests in order to stabilize them shall be granted for a period of five years at a rate of 12 000 CZK/ha (i.e. 377.35 EUR/ha).
- c) the premium to cover loss of income resulting from the termination of agricultural production shall be granted for a period of 20 years

## **Planting of fast-growing wood species designed for use in energy generation**

### **Profile of the scheme**

Planting of fast-growing wood species designed for use in energy generation is a sub-measure that allows farmers managing agricultural land or owners of agricultural land to obtain support for the planting of fast-growing wood species on their parcels. This sub-measure provides scope for a diversification of production that should contribute to the strengthening of the economic and social dimension of the sustainability of agriculture and rural areas. It reduces the share of arable land without a risk of increasing the share of abandoned agricultural land.

The planting of fast-growing wood species has been supported within the national system of aids from 2000. The support has been provided in the form of a direct non-repayable aid. A total of CZK 131 000 was paid for the planting of fast-growing wood species and 3 ha were planted in 2000. Aid amounting to CZK 566 000 was granted and about 10 ha were planted with fast-growing wood species in 2001. In 2002, aid totalling CZK 475 000 was granted to support the planting of approximately 8 ha of fast-growing wood species.

### **Objectives of the sub-measure**

- to reduce the area of farmed land used to produce foodstuffs,
- to reduce the production of greenhouse gases by increasing the share of renewable energy sources in total energy sources,
- to reduce air pollution (especially by sulphur oxides) resulting from the combustion of fossil fuels,
- to increase biodiversity and to improve the ecological balance of landscape,
- to improve the social and economic conditions in rural areas,
- to provide for a more stable financial situation of farms by changing their income structure through diversification of business activities.

## **Beneficiary**

The following can apply for the support for the planting of fast-growing wood species designed for use in energy generation on agricultural parcels

- owner of agricultural land,
- association of agricultural land owners, provided a written agreement of individual owners is available,
- a person submitting the project provided a written agreement of individual owners is available.

## **Main features**

- **agricultural land** shall mean actually used arable land and permanent grasslands,
- **suitability of the measures that are included in the project**, e.g. the fact that they are adapted to local conditions and compatible with the environment shall be documented by the following documents that form a part of the application for support:
  - a) Document serving as evidence of the ownership of the agricultural parcel concerned showing cadastre area, number, parcel type code and the area of the parcels to be planted with the fast-growing wood species (extract from the land register). Where agricultural parcels are owned jointly by several persons, the applicant shall always be the person authorised by a written certified power to act on behalf of the other co-owners. Where the applicant is the leaseholder of the parcel, he must submit a written agreement of the owner(s) of the parcel for a period of 10 years (propagating plantation) and 15 years (production plantation);
  - b) A simple project drawn up by a project writer authorised by the Ministry of the Environment.
  - c) Binding opinion of a relevant nature conservation authority (Article 4 (3) of Act No. 114/1992 Coll., on nature and landscape conservation) on the project and on the completion of the actual planting in accordance with the project.
  - d) An invoice documenting the purchase of the planting material and a certificate of origin of the planting material.

### **Description of management**

1. The applicant shall plant the fast-growing wood species in accordance with the project on a minimum area of 0.25 ha for a propagating plantation or 0.5 ha for a productive plantation.
2. He shall use species and clones with suitable genetic features and suited for the site concerned.
3. In the subsequent year, he shall weed the planted parcel and in the productive plantations he shall supplement missing seedlings.
4. The applicant shall ensure harvesting in three-year to six-year cycles and shall provide for the processing of the produce for energy purposes.
5. The project shall deal with the management, including the measures to be taken when the lifetime of the plantation comes to an end.
6. The applicant shall undertake to cultivate the propagating plantation of fast-growing wood species for at least 10 years and the productive plantation of fast-growing wood species for at least 15 years and after the end of commitment take the measures to dispose of it as laid down in the project.

### **Form, amount and duration of the support**

The support shall have the form of a payment to compensate the cost of planting.

- a) The support for the planting of a propagating plantation shall be granted only in the year of planting at a rate of 75 000 CZK/ha (i.e. 2358.49 EUR/ha)
- b) The support for the planting of a productive plantation shall be granted only in the year of planting at a rate of 60 000 CZK/ha (i.e. 1886.79 EUR/ha)

## 4.2. Analysis of Horizontal Rural Development Plan during 2004 – 2006

In the time period under consideration there were registered 1 327 applications and in total amount about 192 million CZK. Although there was more money used within “Operative programme”, under HRDP much more people were satisfied. This means that this programme (HRDP) was not granting as high amounts of money as the “Operative Programme” and that HRDP was supporting projects of smaller scope.

The contribution of the EU formed 80% and the reminder came from the State Budget which means that no contribution of applicants was required.

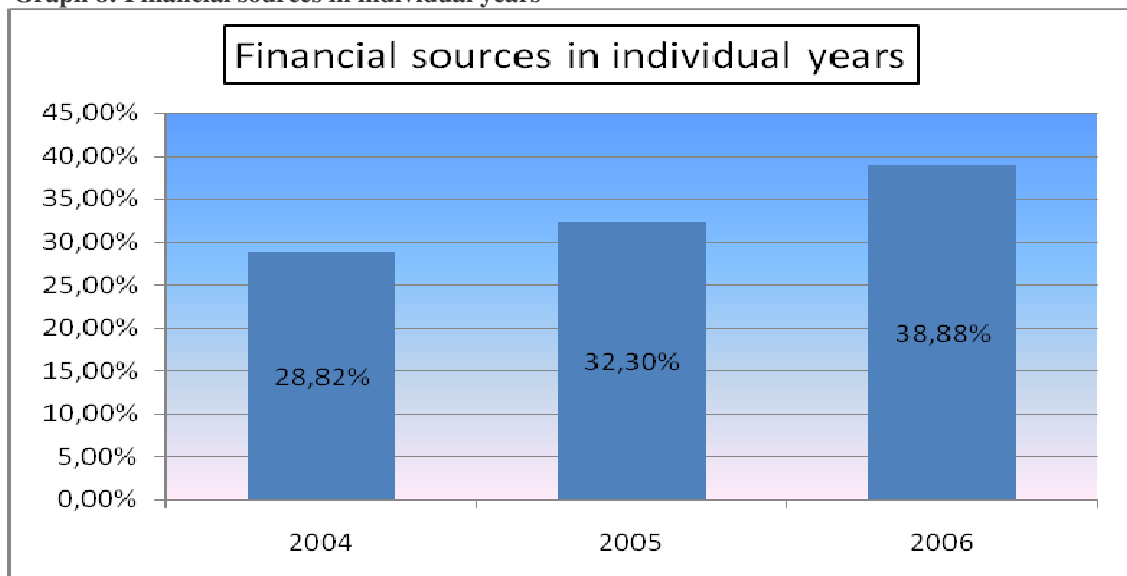
### Financial analysis

The situation from the economic point of view in individual years is visible in the following chart and graph.

Chart 37: Allocated sources in individual years

Year	2004	2005	2006	Total
Amount of subsidies	55 462 463	62 149 487	74 812 003	192 423 953

Graph 8: Financial sources in individual years



It is obvious, that allocated sources were increasing year by year which is a very positive indicator. That shows the increased interest in this type of activity what is very

helpful for our environment because both sub-measures are positively influencing the environment.

As I said in the description of this programme there are two sub-measures dealing with forestry within the HRDP: - Afforestation of agricultural land

- Planting of fast-growing wood species designed for use in energy generation

**Chart 38: Allocated financial sources in individual years for individual sub-measure**

	Afforestation	Fast growing species	Total
2004	51 032 168	4 430 395	55 462 563
2005	61 198 967	950 520	62 149 487
2006	73 318 243	1 493 760	74 812 003
Total	185 549 378	6 874 675	192 424 053

More than 96 % of allocated sources were used for afforestation of agriculture land and the situation during the years demonstrates progressive character. Afforestation is the main issue of this programme because the other sub-measure (fast growing species) is obviously not so interesting for the people yet. Afforestation achieves continuous increase in allocated amount of money year by year.

In case of registered applications the numbers were even more one-sided. The afforestation reached about 98 % of total amount of applications.

## **Analysis of received applications**

### **The applying administration in case of Afforestation**

The applicant has to be first classified by a presentation of some requirements. Afterwards another application can be submitted (announcement about afforestation), on which base the people can get the subsidy. The numbers of applications for classifying and for the subsidy can be different, because the applicant has the possibility to divide the classified area into more plots (often due to the necessity of planting tree species in spring or autumn etc.) and submit two different applications for the subsidy. However, the area can not exceed the classified amount. This fact causes that there are often more applications for subsidy than for classifying. The subsidy is comprised from afforestation (first year), tending (for the following 5 years) and compensations (for the following 20 years).

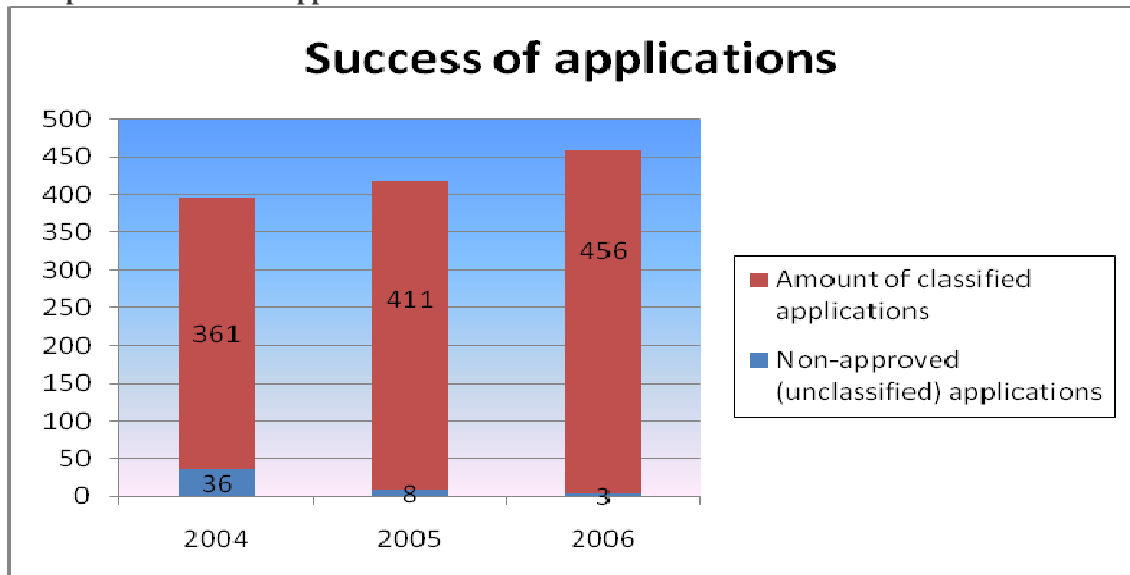
### 1.) Applications for classifying

There were 1275 registered applications to be classified in the time period under consideration. 1228 of them were considered as suitable what leads to an amount of more than 96 % successful applications.

**Chart 39: Number of classified applications**

	2004	2005	2006
Total amount of applications	397	419	459
Non-approved (unclassified) applications	36	8	3
Amount of classified applications	361	411	456

**Graph 9: Successful of applicants**



The numbers above are very positive due to a continuous increase of the total amount of applications and simultaneous decrease of non-approved applications. This was caused by a better knowledge about the administration process as well as by spreading information between the foresters.

**Chart 40: Success within the instruments**

	2004	2005	2006	Total
Applications for afforestation	364	388	420	1172
Non-approved applic. for afforestation	79	2	1	82
Percentage of success	78%	99%	100%	93%
Aplic. Fast growing species	5	8	9	22
Non-approved applic. for fast growing sp.	2	0	0	2
Percentage of success	60%	100%	100%	91%

This programme can be termed as very fruitful from the successful point of view. If we exclude the 2004 (where the foresters were without previous experience) the success reached the values around 100% each year. This means that if somebody decided to go through the administrative process, has got the subsidy in the end. This is a very good renown of the officers from the State Agriculture Intervention Fund since with respect to the complicated administration process almost all the applications proved the required conditions.

## **2.) Applications for subsidies**

The total amount of applications during the time period of 2004 – 2006 exactly reached 1 327 which is about 52 more than for the classified applications.

**Chart 41: Applications for subsidies and their division**

	2004	2005	2006
Total	450	401	476
Afforestation	443	393	465
Fast growing species	7	8	11

While applications for fast growing species reached a slow continuous increase year by year, the applications for afforestation decreased by amount of 50 in 2005. This was caused by the fact that the classified applicants did not divide the area into more individual plots. It does not mean that there were less applicants because as you can see in the chart above the interest from the side of foresters increased year by year.



### Division by regions

The analysis of individual regions can be very important.

**Chart 42: Number of applications in individual regions**

Regions		2004	2005	2006	Total
Middle bohemia	Praha	48	43	47	138
South-west	České Bujějovice	91	69	89	249
North-west	Ústí nad Labem	8	4	9	21
North-east	Hradec Králové	85	89	86	260
South-east	Brno	161	131	169	461
Middle Moravia	Olomouc	44	37	45	126
Moravskoslezsko	Opava	21	20	20	61
<b>Total</b>		458	393	465	1316

The highest amount of applications came from the region *South-east* followed by *North-east* and *South-west*. These three regions covered the majority of applications. It is a very similar situation as in the case of Operational Programme where also the highest numbers reached by the two southern regions. On the other hand the regions *North-west* and *Moravskoslezsko* reached very low numbers of applications and therefore some improvements should be done there.

The chart above corresponds with the situation in afforestation while the instrument Planting of fast growing tree species have to be analyzed separately.

**Chart 43: Applications for Planting of fast growing tree species by region**

Regions	City	Fast growing tree species
Middle bohemia	Praha	5
South-west	České Bujějovice	6
North-west	Ústí nad Labem	0
North-east	Hradec Králové	17
South-east	Brno	3
Middle Moravia	Olomouc	0
Moravskoslezsko	Opava	2

From a total amount of 33 applications for Planting of fast growing tree species, half of them were from *North-east* region and so it can be stated that from this region others should take inspiration.

### Evaluation by ownership

The following step of the analysis will divide applicants by their legal status.

**Chart 44: Evaluation by ownership**

	No. Of Applications	Amount of Subsidies
Natural person	1023	134 618 944
Corporate body	61	19 384 268
Community	190	30 091 319
State	1	168 660 000

From this point of view the *State* is dominant since he received the highest amount of money, but there was just one single registered application (state forest enterprise). If it single application is not taken into account the *natural person* is the most often subject applying for this programme. From the above chart the dominance of *natural persons* by numbers of applications as well as by financial sources point of view is obvious.

**Chart 45: Evaluation by ownership in individual years**

	2004	2005	2006
Natural person	326	323	374
Corporate body	26	19	16
Community	97	54	39
State	1	0	0

### Average subsidy per hectare

**Chart 46: Average subsidy per hectare**

	Afforestation (CZK/ha)	Fast growing species (CZK/ha)	Total (CZK/ha)
2004	82 019.52	65 632.95	80 415.58
2005	215 658.89	63 278.99	207 998.48
2006	210 003.48	59 616.86	199 933.36

The average subsidy per hectare can be a very significant indicator. There are granting highest money for broadleaves that for the coniferous and so by this way can be estimated which tree species are used for the afforestation. Results I had obtained are very positive because they are increasing. This could mean that there are more and more used broadleaves tree species at the expense of coniferous what is important for improving of species structure of Czech forests as well as improving of soil resistance.

## **Conclusion**

From the economic point of view HRDP is the second biggest European programme supporting forestry in the Czech Republic. The amount of subsidies reached almost 200 million CZK. There is prevailing the instrument Afforestation of agriculture land with percentage of 98 % of all applications. This means that Plantation of fast growing tree species seems not to be very interesting which could be caused by the conditions in the Czech Republic, too complicated administrative system or just not enough experience with this problematic. On the other hand exactly this topic (renewable resources) is very discussed in the whole world and should be placed on the priorities of Czech agriculture (forestry) policy. On the other side the comparison with the years of 2000 – 2003, when the support of this kind of plantations was launched, gives a very positive prospect. The reason is that there were only about 30 hectares establish for this use in the first period and as followed from the analysis during 2004 – 2006 208 hectares were planted. This is an indicator of improved possibilities, better organization and an easy accessibility of this system.

After 2004 the amount of subsidy per hectare increased what was caused by paying the subsidies not just for afforestation but also for tending.

This programme is based on the rule that everyone who applies and fulfils the requirements will get the subsidy (unlike the Operational Programme with the point system – based on competition between the applicants where it is not enough just to fulfil the requirements but it is needed to reach some points to get the subsidy).

Finally it can be stated, this programme is as successful, because all financial sources set aside were used under this programme.

## **5. Cross border cooperation – Interreg III A Programme**

Community Initiative INTERREG IIIA is implemented in the Czech Republic through 5 independent programmes for the eligible geographical areas: Czech-Saxon, Czech-Bavarian, Czech-Austrian, Czech-Slovak and Czech-Polish programme.

Regional targeting of the Community Initiative Programme INTERREG IIIA resembles Joint Regional Operational Programme (JROP). Compared to JROP, INTERREG aims mainly at projects of smaller scope with specific impacts in the respective border area. Larger stress will be laid during the project selection on real cross-border impacts and on bringing together people and institutions during the project preparation and consequent implementation. Only such projects will be selected which can prove their cross-border impact at both sides of the border.

### **Allocated financial sources during 2004 – 2006**

The 10 new Member States were allocated in aggregate ca EUR 425 millions. for INTERREG III for 2004 – 2006, the share of the Czech Republic being EUR 60.9 millions. (ca EUR 67 millions when raised by inflation). That is ca EUR 20 million a year.

The Czech Republic plans to allocate 80 % of the amount committed for 2004 - 2006, which is ca EUR 48.8 millions, to Branch A – Support to minor cross-border cooperation projects with neighbouring countries. These funds will be split among five border areas (Germany administers separate programmes for Bavaria and Saxony) in the following way:

- For the Czech-Polish border area EUR 16.5 millions.
- For the Czech-Austrian border area EUR 11.0 millions.
- For the Czech-Saxon border area EUR 9.9 millions.
- For the Czech-Bavarian border area EUR 8.6 millions.
- For the Czech-Slovak border area EUR 9.0 millions.

## **History**

The Community Initiative Programme INTERREG IIIA in border areas is directly linked to the Phare CBC pre-accession programme. Czech-German and Czech-Austrian border areas avail of largest experience of its implementation (since 1995), while along the Czech-Polish border, this programme was launched only in 1999 and in the Czech-Slovak border area only one year was implemented, namely 1999. Under Phare CBC, individual projects and grant schemes were implemented of investment nature with the minimum size of support amounting to EUR 2 million. Projects were aimed especially at improving the transport situation and the environment at both sides of the border. 10% of yearly allocations of the Phare CBC programme were earmarked for the implementation of the Joint Small Project Fund (JSPF) supporting mainly cross-border cooperation of the “people-to people” type (organization of seminars, trainings, establishment of joint social and economic institutions, cooperation between communities, youth exchanges). Phare CBC has thus become an important instrument used to prepare for utilizing the SF aid.

## **Project co-financing**

Projects implemented within the Community Initiative INTERREG IIIA are funded based on the additionally principle. That means that each project co-financed from the SFs must be simultaneously co-financed from Czech public budgets. Project co-financing sources can include the ERDF, state, kraj (NUTS III) or municipal budgets.

## 5.1. Analysis of Cross-border-cooperation during 2004 - 2006

Although this programme has not Forestry as a priority, some projects linked to this resort can be found. All these projects can be split among two groups depending on their aim.

- 1) **Investment to the forestry** – in this case it is investment to the construction of new forest roads (again very closely connected to tourism).
- 2) **Protective and environmental functions of forestry**– this sub-measure is aimed mostly on the support of non-productive forest functions and suitable development of forests but also on active protection of forest.

### General information

For this programme 14 applications connected to forestry were registered and the total amount of subsidies, used for the realization, reached about 104,5 millions Czech crowns.

The situation in individual years is visible in the following chart.

**Chart 47: Average subsidy per application**

Year	Number of applications	Total subsidies (CZK)	Average subsidy per application
2004	2	10 867 898	5 433 949
2005	10	77 860 751	7 786 075
2006	2	15 829 960	7 914 980
Total	14	104 558 609	7 045 001

From the chart above it is obvious that the highest amount of subsidy was used in 2005 (three times more than in the two remaining years). The situation was very similar in the case of applications, 71 % of projects were submitted in 2005. The expenses for individual projects were increasing year by year and the average value for this programme reached a little bit more than 7 million CZK.

**Chart 48: Composition of subsidies**

Year	Total subsidies (CZK)	Proportion from state budget (CZK)	Proportion from EU (CZK)	Proportion from EU (%)
2004	10 867 898	2 424 475	7 273 423	67%
2005	77 860 751	21 281 208	55 109 023	71%
2006	15 829 960	14 970 129	859 831	5%
Total	104 558 609	38 675 812	63 242 277	48%

The contribution of European Union was about 75% for this programme. However, the project linked to forestry reached just 47.7%. The highest value of contribution was achieved in 2005 when most of the applications were registered. An extremely low proportion occurs in 2006, which was caused by one application for water protection issue which reached about 15.5 millions CZK and the contribution of the state sources were 96.75 %. This very high number influences the calculation of this proportion a lot. After removing this project from the statistics, the percentage of the EU contribution reached just 79.16 % which is closer to the average value of the whole programme.

### Evaluation by region

In this programme subjects operating in the regions near the borders can apply. The Czech Republic has four neighbours but in the case of Germany there are two different free lands (Saxony and Bavaria) which follow the five cross-border regions where subjects can apply for this programme. The division of the regions, projects done in each of them and the subsidies used for their realization are visible in the next chart.

**Chart 49: Composition of subsidies in individual regions**

Region	Proportion from state budget (CZK)	Proportion from EU (CZK)	Total subsidies (CZK)	Number of applications
Slovak Republic	6 131 306	9 659 316	16 761 142	3
Bavaria	5 443 750	16 331 250	22 945 000	3
Free Land of Saxony	25 764 604	33 243 254	59 507 858	6
Poland	0	0	0	0
Austria	1 336 152	4 008 457	5 344 609	2

According to number of applications, as well as the total subsidies, it is evident that the cooperation from forestry point of view is based mostly in the border with Germany. In a percentage expression it was almost 80% of total financial sources. Other countries remain behind the expectation, only Slovakia approached to Germany. Between the Czech Republic and Austria 2 projects took place of a financial amount of 5.3 million CZK and in the case of Poland there was none registered application.

### Evaluation by individual sub-measure

As mentioned at the beginning of the analysis, there are just two basic sub-measures.

**Chart 50: Division of subsidies by sub-measure**

Sub-measure	Proportion from state budget (CZK)	Proportion from EU (CZK)	Total subsidies (CZK)	Number of applications
Investments	16 339 327	41 953 379	58 292 706	6
Forestry	22 336 485	22 958 898	46 265 903	8
Total	38 675 812	64 912 277	104 558 609	14

The situation within individual sub-measures is quite similar. It is obvious that for the sub-measure investments to the forest (construction of forest roads) more money was spent although fewer applications were registered. This means that this is more money demanding than the sub-measure forestry, due to actions like: protection of water, improving forest species structure or analysis of forest soil.

Very interesting is also the situation of each sub-measure from a regional point of view.

**Chart 51: Division of subsidies by region and sub-measure**

	Investments		Forestry		Total Subsidies
	Applications	Amount of subsidies	Applications	Amount of subsidies	
Slovak Republic	2	10 475 706	1	6 285 436	33 101 885
Bavaria	2	11 745 000	1	11 200 000	50 718 735
Free Land of Saxony	2	36 072 000	4	23 435 858	67 957 056
Poland	0	0	0	0	0
Austria	0	0	2	5 344 609	47 236 977
Total	6	58 292 706	18	46 265 903	104 558 609



The sub-measure dealing with the construction of a forest road was carried out in three regions and in each of them two forest roads have been repaired. The highest amount of distributed sources has been monitored in the region Saxony. The other two regions (Slovakia and Bavaria) used much less financial sources for the reparation of forest roads.

Cooperation in protective and environmental functions of forestry between neighbour countries took place in four regions. It is obvious that the best contacts between the foresters are again, like in the sub-measure before, in the borders with Saxony, followed by Bavaria where, however, just one project was done. Regions close to Slovakia and Austria were not very active in the cooperation with the Czech Republic from a forestry point of view, and Poland did not make any project connected to forestry.

#### **Other connected subsidies**

It has to be noticed that within this project, other subsidies very closely connected with the forest, can be found. These financial sources are used for assistance of attendance of forests and can be split into three groups:

- The first one is directed on propagation of tourism, construction of observation towers, publishing of maps and guides connected to Czech mountains or internet presentations and information portals, marking of bicycle and foot paths.
- Construction of footpaths
- Construction of cycle-ways

Fifty-five different subjects applied within these three instruments for 134 million CZK. The biggest amount of money was used for the propagation of rural tourism, followed by the construction of cycle ways.

These kinds of projects even dominated (in number of applications as well as in amount of subsidies spent) the programme. This situation I found very positive since there were just a few subsidies submitted for assistance of attendance of forests within the OP-RDMZ and so there was missing this kind of instrument. From the geographic point of view these subsidies are placed in the right place because the main mountains of the Czech Republic are layout along the borders and just these mountains are the most visited forested areas. In my opinion, the Czech Republic does not reach the quality

standard of the rural tourism like in the western European countries and still many things have to be improved.

### **Conclusion of Cross-borders cooperation**

Within the programme Cross-borders cooperation more than 104.5 million CZK were divided to the resort of forestry. With respect to the fact that this programme does not have the forestry as a priority, it is a very big amount of finance. I think, these kinds of projects are supplementing the other subsidies and financial aids to forestry because of their different aims. All of these projects were specialized on non-productive functions and some projects are connected with forestry just partly. This means, for example construction of forest roads which are often focused on connection of small settlements, but because of their categorization to forests road network it is also necessary to count with them.

As mentioned before, there is an obvious higher cooperation with German countries than with the others. This situation could be caused by a deeper knowledge about the application system, higher interest about rural tourism and suitable development in forestry from the side of old members. This opinion is certified by the fact that there were many conferences about the management of forests in a suitable way in the regions close to Germany and Austria but no conferences were held at the border to Slovakia and Poland.

## 6. Conclusion and suggestion:

Executed analysis predicts a positive trend for the Czech forestry sector regarding to European grants. Year by year more foresters were interested in the subsidies of European programmes and their sub-measures (except the programme Cross-borders cooperation which is not specialized on forestry and very random individual projects connected to forestry).

There was used 551 014 227 CZK during 2004-2006 under mentioned programmes. This money makes our forestry more suitable as well as competitive. It handle with all kind of forest functions, buying new machinery makes the forest management more efficient, the construction of forest roads and paths raise the attendance of forest and there are also projects improving the water regime or the stability of forests.

Comparing to others the Operative programme reached the highest values (especially the sub-measure 1.3.2 Investments in forest) following by the HRDP, where was spent about 100 million CZK less. The most demanded projects dealt with buying new machinery, afforestation of agricultural land and flood control.

By doing analysis of these programmes I had a problem with the exchange rate which is changing permanently. The exchange rate for EURO in time of receiving the financial sources from European Union was 31.8 CZK but now (three years later) it is just about 26.5 CZK what has caused some loses of money and makes some more problems.

### 6.1.OP RDMA

It can be state that not all allocated sources were used within this programme. Some problems occurred with the estimation of demand for the subsidies within the individual sub-measures. They were solved by moving money mostly between individual years alternatively sub-measures or instruments, and remained money were moved to agriculture programmes (if they had not there would be a risk of reclaiming the money back to European Union). Finally, according to the rule  $n+2^4$  all financial sources will be in hands of applicants. In the year 2004 were the most unused finance sources. For Czech forestry it was the starting year of granting European money. Applicants did have

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<sup>4</sup> all allocated sources have to be used up to two years after finish the administration of the projects, in our case in the end of the 2008

enough knowledge about requirements they need to fulfil, and where to get all needed appendices. Due to this fact there were spent far less money comparing to following years. If amount of exhausted money was similar to 2005 and 2006 there would be distributed all available sources.

One of the problems of this operative programme was the long time period between the project applying and the payment. The shortest time was needed for “buying a new machinery” (here the administration was the simplest, only about 9 mounts), followed by “restoration of forest stand after calamity” (about 1year) and afforestation where applicants had to wait about one and half year. Very problematic seems to be constructions of forest roads what is very expensive, and the subject often needs some loans (sometimes they get a loan from the company which is providing the construction of the road). These loans can be pay out just after two years which are needed to get subsidies.

The control was provided in 100% of projects at the beginning, and in addition there were also some controls carried out in following years (about 5% of projects each year). This system of control seems to be sufficient enough.

The problem with non-approved applications was caused by many reasons and it was for each sub-measure different. In the case of sub-measures where the contribution on the costs was needed, the applicants for subsidies found out that they do not have enough sources to spend or even if they had them, such investment could cause a big problem for their company in the future. Very often the State Agriculture Intervention Fund figured out that not all permissions or administrative necessities were in required conditions and so could not be consider as suitable.

Main problem of sub-measure 1.3.1 was impossibility to forecast the calamity. Because of the damaged forest stand has to be removed from the forest (especially in the case of coniferous in summer) very fast to prevent other losses (fungi, insects) there was not enough time to prepare the application or the deadlines of the submission was not identical with the date of the calamity. Such the fact many foresters could not apply for these subsidies or finish their administration. I suggest for the future to change the application system, when it will be possible to apply whole year (not only once a year) or even retrospectively based on evidenced costs spent for the damage removing.

Another weakness of this sub-measure was the highest limit of grant per individual applicant. For example this time period it is 2 million EURO and the state forestry enterprise had already reached this value. In my opinion this maximum amount should be increased because this state company owns 61.5 % of Czech forest area and so it is managing the majority of the forest complex. With such potential it is and still will be in the future the main player in the environment protection from forestry point of view.

Within the sub-measure 1.3.2 was the situation very different. There was the instrument “buying new machinery” which had the simplest rules to apply and therefore was used the most. The only lack was the necessity of contribution by around 50 % of total costs which caused a problem for the foresters to collect this amount of money. The aim of this instrument was to launch in Czech forestry using more competitive, effective and environmental friendly machinery and technology. On the other hand within this sub-measure comes under also the instrument dealing with construction of forest roads which had the highest administrative demandingness and very often occurred to problems with collecting all the permissions. Reason was that one forest road is often owned by many people and to apply was needed the approval from all of them. Problematic can be seen also in duration between the application and payment of the subsidy which is in the case of forestry roads construction longest from all instruments (about 2 years).

Sub-measure 1.3.3 I did not even mention in my analysis and therefore I will try to explain the issue now. Nobody submit for this subsidy in the time period under consideration. The money reserved for this sub-measure had to be moved to another one. It appears that this sub-measure is not attractive, but with respect to owners of Czech forests and areas they are managing (there are many foresters with small areas of forest) I think this could be very useful measure. I see the biggest problem in necessity to create association of forest owners as a legal subject. Until now all types of forest owners association did not need the status of legal subject. This type of association does not have competence of rights and duties, what does not correspond with perspective and suitable forest management and it should be changed. However all types of corporative companies in Czech Republic are very complicated and contain many obligations which are not appropriate for such specific management as forestry is. The only suitable solution can be found in creation of very specific legal subject which

would lead to less complication. This already works in some more forestry developed countries.

Within the sub-measure 1.3.4 “Planting of land not used for farming” did not use all allocated financial sources and had to be moved to the sub-measure 1.3.1. It is obvious that there was no problem just with the approving of the applications, but also with no interest from the side of farmers to make the project. There can be various reasons. To start the project applicants needed capital to fund all the costs related with this process and they will get money back after it is sure that the afforestation passed off in given conditions. In some cases, for example small farmers it was very difficult to accumulate this amount of money and decide to deposit them into the forest, because the revenue has in this resort very long period and there exist also risk of the damages of the newly established forest.

Also important problem of this sub-measure was too complicated administration (applicants need about 17 different certifications and each of them is issued by a different office) and to obtain all these applications is needed lot of time. For some applicants it takes 5 months to collect all certifications, especially if they are applying for different plots, what in the case of busy people having more kinds of businesses is very problematic and can be evaluated as opportunity costs.

I think that very important is that people are likely to afforest the land with broadleaves tree species. At first it is improving the protection and has antierosive functions of the area, second it helps to increase the biodiversity of the environment and it is better for the soil to assimilate to new condition. I find as a very good idea the higher subsidy for the afforestation by the broadleaves than for the coniferous. This could be the way to reach one of the objective of whole Czech forestry, which is the change of very unfavourable tree species structure because of the huge spruce monocultures covering 55 % of Czech forests area.

## 6.2.HRDP

The positives of HRDP were: high interest of the people in changing the agricultural fields into forests, the physical control of the areas (5 % every year) seems to be enough (during the twenty years of project duration should be visited all the plots), higher rate of subsidies for broadleaves tree species rather than for coniferous and that this

motivation factor works very well because people afforest the land more with broadleaves (of course they have to follow the forest plan and plant the best tree species for the area but if there is the possibility they use the broadleaves to get more money) which helps our environment (soil erosion, water system and improving of unbalanced tree species composition compared with the natural one).

The biggest negatives of this programme was again very complicated and time demanding administrative process and long period between the afforestation and the payment of the subsidies. Often caused by waiting for the end of active plots controls which is usually done in late summer (the agro environment instruments are privileged) and the money were paid out at once for all the applicants. Further, planting of fast growing species should be supported more strongly, subsidy should increase or find out other motivational tool as well as improve the information system because people still do not know very much about this kind of business.

As I mentioned before, there were two different applications for this programme. The first was for applicants classification and later on was necessary another one (announcement about afforestation) which already dealt with granting the subsidy. I think that this double application system was too complicated, made the administrative process even more chaotic and could result some problems. Within the first application had to be announced the area of afforestation which after approving could not be changed anymore and this brought some difficulties because sometimes had happened that applicants were not able to reach this registered area.

The impossibility of changing the owner of the new forest (only in the case of death) was also controversial as well as the rule that the area of afforestation had to be managed in agricultural way two previous years.

Very important is also the protection of the young stand. It is not obligatory item to make a protection of the new forest but it always should be consulted with the forest manager of the region who knows the condition of the area. If there is high damage and the inspectors of the state agriculture intervention fund find out that there were any preventive protection (fence etc.) they will give the owner a penalty. Each side is different and has different needs of protection therefore it is very difficult to create some general rules but some basic protection should be always provided.

### 6.3. Suggestion for the future

First of all should be simplified the administration process, especially the number of supplements. This brought many problems for the applicants who don't always understand what exactly they need to do. Of course it is very difficult to decrease the number of required documents. The majority of them are really necessary for recognizing the applicant suitability to get subsidies and if the project is done in appropriate way. However in case of small project could be provided some concessions. Some reductions could be reached by carrying out some online databases where would be possible to apply for the subsidy. Such databases would need to contain some "help menu" where everyone could find everything he needs to apply. Evidently this online service challenges big changes in whole system of applications but on the other side it should be connected with some state institutions and so information would be obtained automatically and applicants would not have to go to all the institutions personally. The current system when each application has had to be hand personally, was good in the first period (2004 – 2006) because there were many problems solved directly in the moment or were explained faster then by post or telephone. In my opinion people already know better application process and it would work effectively if it was possible to apply online.

This online database for application could be accompanied by some helpdesk where would be answered all questions about applications. By this way could be decreased the overextension of workers in SZIF (especially before the deadline) who are busy with explaining problems individually.

As I mentioned above in the case of calamity of forest stand there should be possibility to apply for the subsidies during whole year or better retrospectively because of the impossibility to anticipate the calamity and the necessity to process the wood as soon as possible.

The situation in HRDP could be improved by faster paying of the subsidies, what would be reached by increased number of dates for application and faster execution of active plots controls. In the current system money are paid out on the same day for all applicants and everybody has to wait until all controls are done. Paying the applicant separately always after performance of conditions could be also a good idea. For the



administration hold the same as in the Operative Programme. There is needed a simplifying of the process and especially the number of annexes.

In the case of planting fast-growing wood species designed for use in energy generation I recommend higher motivation for applicants (by increasing finance support or some others advantages) and improve the information system.

## **Outlook**

The next programming period will take place during the time period 2007 – 2013 and will be granted from the European Agricultural Guarantee Fund (EAGF) and also from the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). The new Programme for Rural Development (PRV) drawing out financial resources from the EAFRD replaces current Horizontal Rural Development Plan (HRDP) and the Operational Programme for Rural Development and Multifunctional Agriculture (OP RVMZ) and so these two programmes will be unit in one programme for the next period.

Exact content of the new program has been already approved. Regarding to the date of establishing, only in 2007, the program is constantly changing.

Important change will be in afforestation of agricultural land and afforestation of land not used for farming will be unit. It has few advantages, it will be more secured, afforestation of agricultural land won't need two applications anymore and furthermore the subjects will apply separately anytime in the year after the afforestation will be done. This will speed up time between the application and payment because it won't be necessary to wait until the control is ready. This change will eliminate situation when subject applies for 5 hectares and will afforest just 3 due to lack of time. Although the administration is not going to be reduced, the necessity of using the land for agriculture at least 2 years before afforestation will be cancelled.

In case of planting fast-growing wood species designed for use in energy generation will increase the subsidies per hectare and is will simplify the administration because these plantations will become a part of the agro energy sector.

For protective measures focused on forestalling and reduction of damages caused by disasters in forests is going to become very positive change because in the follow time

period will be possible to apply retrospectively what will solve the biggest problem of this instrument.

Online database for applying won't be provided and State Agriculture Intervention Fund does not think about it in the close future.

Finally can be state that the changes prepared for the next programming are very positive and most of the problems from the previous programs were solved successfully.

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