

## **INSTITUTIONS IN FORESTRY**

### **How will they affect the National Forestry Programmes?**

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#### **Introduction**

Creating new institutions or reforming old ones is an activity as old as organised society. And so are the unexpected and usually unwanted consequences of the newly introduced changes. The NFP process is yet another effort to get the broad developmental process of forest usages to fulfil the agreed upon goals. Can we today do better than the trial and error process of history? We do not claim that there now exist a body of theory making institutional design feasible. But we do believe we today in the best of circumstances can predict the most likely path of development for new institutional elements introduced to a society. In this paper we want to discuss the possible fate of NFP in Norway and Finland in view of what we know about the dynamics of institutional development. However, we are painfully aware that the best of circumstances do not obtain either in Finland or in Norway. Hence, what we offer are not theoretically based predictions. At best we will call it theoretically aided guesswork. We begin by outline some key element of the current theory of institutions. And will then proceed to discuss what this means for the cases of Norway and Finland.

#### **PART I: THEORY OF INSTITUTIONS**

##### **Where do institutions come from? And how can they be changed?**

Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction”, says Douglass C. North (1990:3). This is a convenient starting point but it is not the whole story. Arthur L. Stinchcombe (1997) reminds us that institutions are staffed and created to do a job of regulating organisations. Institutions are more than just rules. For a rule system to become an institution it needs guardians charged with the interest and authority to monitor and enforce the rule system. Hence, whenever we find an institution we also find a group of people with a mandate to watch the performance of the rules. At the most elementary level the group of guardians will be the people who devise the rules. In modern states we expect in most cases to find a bureaucracy as guardians<sup>3</sup>.

These guardians are human beings with beliefs and values, they have less than perfect knowledge and they have personal as well as class interests. Therefore the job performance of the bureaucrats can be seen as a distinct and separate force besides the body of rules. But neither is this enough as a starting point. To understand institutions we also need to see the driving forces in their genesis.

The origin of institutions is found in the human need to safeguard life and livelihood. The solution involves many and pervasive problems of collective action. Hernando De Soto (2000) tells a compelling story of the power of these needs, and of the problems created by governments refusing to see them - or being unable to create institutions taking care of these needs. The academic study of this problem is as old as social science, starting no later than Hobbes' (1651) study of “Leviathan”. Elinor Ostrom's (1990) book on “Governing the Commons” is a significant contribution. It is not the last word, but eminently relevant for our interests here.

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<sup>3</sup> Rereading North (1990) with this in mind it is rather obvious that his concept of institution implicitly takes the existence of bureaucracies for granted.

### **Safeguarding resources: the problem**

While the single omnipotent and omniscient person would have no management problems at all, such a person would neither have fellows nor a society around. If we take as a starting point that fellow humans are around, that they compete in the acquisition of benefits from divisible and scarce resources, and that they also are concerned about the equity of the final distribution, certain problems follow inevitably:

- Allocation of resource quotas: who gets how much from each resource?
- Allocation of costs: how do you distribute costs (monitoring and sanctioning costs, other transaction costs,)?
  - Monitoring: how do you organise controls so that no one takes more than agreed and that everyone pays his/ her share of the cost?
  - Sanctioning: what particular and practical consequences do rule breaking entail?
- Rulemaking: what are the procedures for (re-) negotiating the rules governing the management of the resource?

### **Safeguarding resources: the institutional solution**

The core of the agreement on allocation, monitoring and sanctioning is in the Western world known as property rights. Their formal logic is fairly well known, and the theory outlining this may be in the process of stabilizing (see e.g. Sened 1997). But their social dynamic and their real world mechanisms of stabilization are not well known<sup>4</sup>. It is to this problem De Soto's study speaks, not so much in terms of the exact mechanisms as in outlining a neglected area of research, and the devastating consequences of this lack of knowledge for development policy.

De Soto and his team investigated the relation between the legal system and the activities of ordinary people in terms of the cost of getting title to housing lots or starting a small business in Cairo, Lima, Manila, Mexico City, and Port au Prince. In two of the countries he has investigated, he finds that this takes 6-25 years and costs more than the land is worth. Exactly as the formal theory predicts and common sense suggests: People do not follow such rules. The result is an enormous sector of extra-legal activity comprising 50-85% of the population in most of the developing world. These extra legal people are ordinary people who build houses, start businesses, and work - all outside the official legal system. The implications for the dynamic of the economic system are profound. The property rights that the various groups develop in order to secure lives and livelihoods are not legitimated and defended by the state, they remain local and precarious. Every so often the state tries to evict some group of people defined as squatters on land they do not own. The trust in the state declines, and is in many cases non-existent.

De Soto's main argument is that the lack of property rights results in lost opportunities for sustaining economic growth by recognizing and fixing the capital these people create in their everyday work, building their homes, and developing their businesses. But the implications go further. The most important is that it reveals a profound lack of understanding of property rights among politicians and top administrators of these states, and, by implication, the consultants and advisors of the international aid organisations.

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<sup>4</sup> "In the West, the law is less concerned with representing the physical reality of buildings or real estate than with providing a process or rules that will allow society to extract potential surplus value from those assets. Property is not the assets themselves but a consensus between people as to how those assets should be held, used, and exchanged." (De Soto 2000:157)

The system furthers mistrust to the state, and a lack of everyday understanding of the relation between state and property rights necessary for modern economies. This has devastating consequences not only for economic growth but also for modern resource management. More and theoretically better informed studies of property rights institutions in the developed world might help illuminate the missing parts of the institutional structure of the rest of the world.

So where do these institutions of the developed economies come from? A good answer to this question is beyond the scope of this paper. The various approaches to the study of societal institutions in the various sectors of society give partial glimpses of the way they currently are working. And the theoretical reconstructions of their internal logic give glimpses of why certain aspects of them are so persistent. But an understanding of the historical genesis of the current structures is not yet within reach.

In the study of forest resources and their management the basic institutions are the various systems of property rights as these have been enacted in the various countries.

### **Perspectives on systems of property rights**

A property rights system can, short and imprecise, be defined as an institution determining: Who will legitimately benefit how much for how long and in what ways from which resource(s)? Or in the words of

The allocation of rights and duties in relation to particular resources determines whose goals will count by how much in the choice of management goals, the timing and duration of extraction, the application of technology, and the intensity of effort expended to achieve the goals. Thus a management system involves decisions about the beneficiaries, timing, means, and purpose of human interaction with ecological systems. These dimensions of management are contained in the question above. In answering this question, people perform a series of balancing acts. They assign relative weights to various land-based goods and services, make decisions about the timing and duration of harvest, harvesting procedures, and determine the distribution of associated benefits and costs. Answering the "who" question will identify who will legitimately be able to withdraw resource units and make decisions about management. That is: it determines who holds property rights over the resources.

Those who decide on who will benefit, what kind of technology is appropriate, and how much they may harvest at any one time, also have to be informed of the constraints posed by the ecosystem dynamics. If the resources are insufficient for everybody, how do you limit the number of people with rights? If those with rights have incentives to overexploit the resource how do you stint their usage? If the state has limited capacity of monitoring and enforcement, how do you make regulations more self-enforcing?

According to Godelier (1984:76) "the concept of property may be applied to any tangible or intangible reality", and rules of property rights will "always assume the form of normative rules, prescribing certain forms of conduct and proscribing others under pain of repression and sanctions". But he also warns "Property only really exists when it is rendered effective in and through a process of concrete appropriation" (p. 81). This view certainly echoes De Soto's (2000) view of the development of customary property rights in the extra-legal sector of most third world and former communist countries.

Property rights in the means of production are usually recognized as one of the major institutions of a society. In Marxian social science the relations of production (i.e. the

distribution of property rights) is seen as one of the major institution of society defining among other things the class divisions of society (see Elster 1985). However, property rights as such seem to have been taken as rather unproblematic<sup>5</sup>. Presumably it was taken to mean the “unfettered” powers of the private owner in the dominium plenum form of property. Anthropological and historical research, however, have demonstrated that property rights systems are not immutable structures. In particular the “unfettered” powers of private owners have never been able to achieve a long history. Both for their own good and to uphold major principles of justice regulations and transformations of the powers of the owner have been accepted.

But property rights change and transform in response to more pressures than the forces of production. Going by the theoretical definition it sometimes is appropriate to speak of property rights even though particular rights are unrecognised as property rights by the law<sup>6</sup>.

Property rights "help man form those expectations which he can reasonably hold in his dealings with others" (Demsetz 1967, p. 347). This means that property rights are a central part of human interaction. Even in situations where the actual on-going interactions have nothing to do with the distribution of benefits, one can see that the prevailing property rights affect the framework of interaction at least by defining and infusing the space-time setting of the interaction with particular meanings and classifications of events (Douglas 1986).

This view of property rights means that they are a central part of all social institutions<sup>7</sup>, and that institutional change means changes in property rights.

### **The construction of social institutions**

Institutions consist of a rule system and an organization with a mandate to interpret and apply the rules. In democratic polities rule systems are either legislated or mandated by legislation and, in so far it is possible, founded on customary practices. Organizations that are mandated to implement legislated rules are called (public) bureaucracies. The bureaucrats will have the authority to monitor all actors subject to the rules and to initiate sanctioning of those who are not following the rules when they should. Customary rules are more often designed to be self-

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<sup>5</sup> Giddens (1981, pp. 113) for example writes: "The concept of "property" was never analysed by Marx, and it would be necessary to discuss it at some length were one to attempt a satisfactory elucidation of the notion."

<sup>6</sup> Most obviously in the way De Soto (2000) outlines, more subtly for example for some developments in organized labour-capital relations, social security (compare e.g. Reich 1964), or the rights, privileges, powers and immunities of the members of the more successful professions (see e.g. Perkin 1981).

<sup>7</sup> Eisenstadt (1968) defines social institutions as "regulative principles, which organize most of the activities of individuals in a society into definitive organizational patterns from the point of view of some of the perennial, basic problems of any society or ordered social life" (p.410). Bromley, thinking of economic institutions, finds that they may be defined as the sum of "consensual arrangements or agreed upon patterns of behaviour that comprise conventions", and the "rules and entitlements that define - with both clarity and obvious sanction - individual and group choice sets" (Bromley 1989, pp. 77-78; on the definition of a convention: see below). Eisenstadt's concept of institution applies to the major informal institutions of everyday life where people themselves are the guardians of the rules. Douglas (1986) discusses the problem of analysing and understanding such institutions. Bromley arrives at the institutional structure of society as the fundamental variable to study in order to understand the dynamic of the economic system. The study of social institutions seems to be the meeting ground of sociologists and economists (Swedberg 1987). But compared to e.g. Schotter (1981) and Williamson (1975), Bromley has come much closer to the sociological concerns with distributions and social justice as fundamental aspects of social institutions.

According to Lewis (1986, p.58): "A regularity R in the behaviour of a population P when they are agents in a recurrent situation S is a **convention** if and only if it is true that, and it is common knowledge in P that, in any instance of S among members of P: (1) everyone conforms to R; (2) everyone expects everyone else to conform to R; (3) everyone prefers to conform to R on condition that others do, since S is a coordination problem and uniform conformity to R is a coordination equilibrium in S."

enforcing<sup>8</sup>. It is the actual practice, which both define and monitor the rules. Also customary rules are usually legitimised and monitored through local, neighbourly associations or assemblies. The formal rule systems of developed countries consist of two types of rules: property rights and public regulations<sup>9</sup>. The two rule types could be said to define two types of regimes.

#### *Property rights regimes*

Rights and duties exist in the minds of people. They consist in what people believe they can legitimately do to the physical world. The precise limits to the rights and duties are the result of negotiations among stakeholders trusting that their agreements will be enforced by the state (or its equivalent for customary rules). Political processes will from time to time impose new rights and duties or alter the definition of old ones. Discrepancies in understanding the precise content of rights and duties in given situations may on the one hand cause conflict and sanctioning, but also on the other hand, learning and adjustment to the new content of the rights regime.

#### *Regulation regimes*

Most regulation will be concerned with behaviour of actors in given conditions regardless of location and property relations to the physical world. Such regulations will of course have implications also for our understanding of property rights, but the impact is indirect. Direct regulation of property rights may come in situations where property rights are absent or where the societal environment is changing so rapidly that old rights become inapplicable. But in ordinary situations the state will promulgate direct regulation of activities (e.g. use of technology in harvesting, allocation of quotas from common pool resources, protection of endangered species or ecosystems). In time these regulations may stabilize as new or changed definitions of property rights. Also the system of property rights will invariably generate some negative externalities. These may be addressed by imposing regulations on activities regardless of established rights and duties (e.g. through legislation on tort). As such rulings are enforced, the perception of the world by owners and users, and hence their understanding of the property rights, will be adjusted.

#### *Bureaucracies*

Rights and duties need guardians with power to monitor behaviour, interpret rules, and sanction breaches. The structure of power in such organizations, and the worldviews brought to bear on the perception of activities of owners and users of resources and the interpretation of the rules governing their activities, are critical for the long-term sustainability of the institution. Also the design of regulations needs commitment from people with power to monitor, interpret and sanction behaviour in relevant contexts.

### **The social construction of institutions**

#### *Customary rights and duties*

All formal institutions are created, or grow, on top of a foundation of informal institutions. Thus resource management institutions comprise not only the formally created institutions (property rights and public regulations), but also comprise the customary practices based on

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<sup>8</sup> Institutions are staffed and are created to do the job of regulating organizations. This staffing, and all the creative work that is involved in financing, governing, training, and motivating institutional actions by that staff in organizations, has been lost in recent institutional theorizing (see Stinchcombe 1997).

<sup>9</sup> For more extensive treatments see Eggertsson 1990 and Ostrom 1990 on property rights regimes, Kahn 1970/71 on regulation regimes, and Ostrom 1990 on bureaucracies.

local culture and perceptions, as well as the corporate culture of professional bureaucracies. Customary rules may add to both property rights regimes and regulation regimes. These local social and cultural environments (customary rules) co-exist with, and work together with the formal institutions in framing the activities in relation to the forest. Without some degree of congruence between customary rules and formal rules the escalation of monitoring and sanctioning costs, will make the formal institution ineffective.

The social construction of institutions gives a solution to the second order collective action problem<sup>10</sup>. The existence of these institutions comes to be so much taken for granted that people can use them to overcome at least some of the first order problems<sup>11</sup>.

Institutions that are observed in practice have been constructed by trial and error throughout history. In both professional and non-professional contexts there have been established ways of perceiving and interpreting resource problems, developed a repertoire of procedures for deciding on solutions, and designed a set of feasible instruments for implementing the solutions. The institutions thus constructed are, however, in their turn shaped by impacts from availability of technology and strength of market forces.

### **Lock-in between institutions and organizations: path dependence**

The social reality of institutions constructed around a resource use system embeds the thinking and informs the activities of the various resource users. Thus

- Owners,
- Local users
- Workers,
- Professional managers, and
- Firms of resource industries

all pursue their goals, values and preferences within the constraints of both a physical and institutional reality.

By assumption the various actors and interests groups organize their resources to

- Optimise their returns from resource use activities by conforming to and exploiting the existing institutional environment, or to
- Change the resource policy in a desired direction if the expected outcome of a political effort is seen as cost effective<sup>12</sup>.

The outcome from both activities will be to change the resource management institutions. The impact is immediate in so far as it affects the activities in relation to the resource. It is indirect if the changes affect the future action parameters through politically initiated changes in legislation and regulations.

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<sup>10</sup> The second order problem: how do you manage to create rules to solve the first order collective action problem?

<sup>11</sup> Examples of first order collective action problems: If the resources are insufficient for everybody, how do you limit the number of people with rights? If those with rights have incentives to overexploit the resource how do you stint their usage? If resources are needed for monitoring and sanctioning how do you get everybody to contribute? If effort is needed to keep up the productivity of the resource how do you get everybody to participate?

<sup>12</sup> "Individuals can use the state in several ways for their personal gain: by lobbying for rules that increase the community's aggregate wealth, by seeking direct transfers that are not output enhancing and may have negative effects on incentives, and by obtaining property rights that create artificial scarcities and output losses." Eggertsson (1990:262)

The competition among actors ensures that those who are best at exploiting the resources within the existing institutional system will prosper and become powerful<sup>13</sup>. The historical dynamic of adaptation to an institutional structure among actors produces a lock-in between the population of actors and the institutional structure. Radical proposals for changes of the institutional structure will meet powerful opposition from those who are best at exploiting the resources within the old institutional structure (the population of organisations prospering from the old rules). And political powers responsible for the formal rule system will most of the time be sensitive to opposition from a group of powerful organisations. Radical change becomes very difficult. This so-called lock-in between organisations and institutions produces what now is called path dependence in the development of a society (North 1990).

But the opposition to proposals of changes of institutions may not come only from the population of actors prospering from their usage of the resource system. If the proposed institutional changes entail major changes in the bureaucracy monitoring the rule system, such as changing the allocation of power, or changing the allocation of resources for monitoring and sanctioning, also the bureaucracy may take “political” action directed at minimizing the actual changes. The most powerful resistance against changes in the institutional structure is achieved when the population of actors and the bureaucracy see a common interest in minimizing the changes. The role of the bureaucracy is also part of the lock-in between institutions and organisations and the path dependence of the development of a society.

## **PART II: INSTITUTIONAL CONSTRAINTS ON THE NFP PROCESS**

### **Introduction**

Achieving a common goal of sustainable use of forest resources in a variety of social, cultural, and political settings is at best a difficult task. Any policy programme designed to do this has to be flexible enough to meet and overcome a variety of obstacles. Some of these may be found in the institutional structure of a given society. Exactly what the obstacle may be is not easy to say a priori. But the characteristics of the policy programme may give some ideas.

### **Characteristics of the National Forest Programme**

Reviewing the development of the concept of a National Forest Programme, Egestad (1999) concludes:

«A National forest programme is a comprehensive forest policy framework, meant to be a generic term for a wide range of approaches to sustainable forest management within different countries and to be applied at national and sub-national levels, based on a set of 11 basic principles.»(p.21).

The 11 principles are divided into two sets. The first set lists 6 principles that states can consider (Egestad 1999:21-22):

1. «Appropriate participatory mechanisms to involve all interested parties,
2. decentralization, where applicable, and
3. empowerment of regional and local government structures consistent with the constitutional and legal framework of the country;
4. recognition and respect for customary and traditional rights of, inter alia, indigenous people, local communities, forest dwellers and forest owners;
5. secure land tenure arrangements, and
6. the establishment of effective coordination mechanisms and conflict resolution schemes.

The second set consists of five principles that should be recognized regardless of the approach adopted by individual countries to its sustainable forest management policy process.

These are:

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<sup>13</sup> “In a zero-transaction cost world, bargaining strength does not affect the efficiency of outcomes, but in a world of positive transaction costs it does and given the lumpy indivisibilities that characterize institutions, it shapes the direction of long-run economic change.” North(1990:16)

1. National sovereignty and country leadership,
2. consistency with national policies and international commitments,
3. integration with the county's sustainable development strategies,
4. partnership and participation, and
5. holistic and intersectoral approaches.»

### Discussion

Appropriate participatory mechanisms will in most cases imply a broader base of participants. Effective coordination and conflict resolution must involve local participation<sup>14</sup>. And the holistic and intersectoral approach will require input from all stakeholders, not just the actors directly involved in forest exploitation and the regulatory bureaucracy. Thus, compared to the standard operating procedures of textbook policy development, a holistic and intersectoral approach to forest policy with extensive participation of stakeholders resulting in partnerships in the execution of the policy will create new ways for the social and cultural environment to affect policy outcomes. And as decentralization and empowerment of local structures and recognition of customary and traditional rights are taken into the policy this will be even more pronounced.

The conclusion must certainly be that the power of established interest groups over the institutional development will be diminished as new groups enter the arena and new procedures for the aggregation of interests are taking hold.

The key to understanding the impact of existing institutional structures on the NFP process is to gauge the differences between the existing structure and the principles promulgated by the NFP. In the group of principles that countries *should* consider:

- National sovereignty,
- Consistency with international commitments,
- Integration with sustainable development strategies,
- Partnership and participation, and
- Holistic and intersectoral approaches,

the three first would not be expected to be problematic. They seem rather self-evident and do not affect interest groups per se. However, “partnership and participation” and “holistic and intersectoral approaches” may be more contentious. Depending on the political and social traditions, they may be open to interpretation, and practical procedures may be invented that minimize the change from existing procedures. It will require both a keen eye for the established procedures and a high level of political commitment to open up the procedures for partnership and participation of genuinely new groups of stakeholders. The same also goes for the problems of introducing new ways of aggregation of interests in the policy processes designed to achieve intersectoral coordination within a holistic perspective on sustainable resource management.

The group of principles that *can* be considered by the states are even more problematic if the existing political and social environment does not already espouse the principles. And even if the political and social environment is sympathetic, the bureaucratic culture may create formidable obstacles if the implementation threatens their power or privileges. Again the key to understand how NFP implementation will be affected is to understand precisely the difference between existing institutional principles and the NFP principles.

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<sup>14</sup> At least that is the advice of Elinor Ostrom's (1990) study «Governing the Commons»



### **PART III: FORESTRY INSTITUTIONS IN NORWAY AND FINLAND AND THEIR RELATION TO NATIONAL FORESTRY PROGRAMMES**

#### **Introduction**

With a basic background on what institutions are and how they work we shall now look briefly at the forest institutions in Norway and Finland, trying to see if the theory can tell us something about how the NFP-process is likely to play out.

#### **The case of Norway**

The basic institutional structure of forestry in Norway has to be discussed in two parts: the formal and the informal structure.

The property rights to forestry resources are taken for granted. They are partly defined and partly defended by the totality of civil law. The most relevant ones for forestry are listed below in table 1. Property rights are very seldom changed directly, however, they are in reality changing all the time at the margin through regulatory measures of many kinds. The occasional direct redefinitions, like the one currently going on for the state lands in Finmark occur centuries apart.

For forestry the basic regulations are found in the Act of 21 May 1965, on forest usage and forest protection<sup>15</sup>. The informal institutions are found in the preferences and beliefs of forest owners assigning priorities to activities at the level below the formal structure, and at times at cross-purposes to the formal institutions.

However, the distinction between formal and informal institutions should not lead us to believe that there is nothing in between. The “privately” developed certification system of forestry activities developed by the forest industry in cooperation with authorities and NGO’s show that important new institutions may arise independent of government initiatives. The process is now incorporated into government policy. In many ways the process observed underlines one of the basic lessons of DeSoto (2000)’s study: formal institutions building on “peoples law” will cost less both in terms of political fallout and in enforcement costs at the same time as they are more effective in achieving the goals. The certification system of Norwegian forest products is one case of development of people’s law rapidly being incorporated in government policy.

Outlining the formal institutions is fairly straightforward. Both the certification process and the informal institutions are less studied and statements will to some extent be theoretically grounded guesswork.

#### *Formal institutions in Norwegian forestry*

The Act of 21 May 1965, on forest usage and forest protection, sets the following goals of Norwegian forestry:

- Forest production: Forestry shall provide acceptable results for those working in the industry
- Forest growth: Forestry shall provide efficient and steady supplies for the manufacturers of wood products
- Forest protection: Forestry must allow for the recreational use of forests, and for their contribution to landscape qualities.

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<sup>15</sup> A new act is just being drafted by the Ministry of Agriculture

To achieve these goals the act gives guidelines, proscriptions, prohibitions and procedural rules on such topics as cutting, planting, cultivation, and building of roads and other infrastructure. However, the monitoring system has a low profile and is mostly based on ideas of self-governance or self-enforcement. If the rules are seen as being broken, the most elaborate tool for rectifying the situation is to demand the making of a plan for cutting, planting and cultivation activities.

There are also particular rules about giving protective status to forests considered to provide certain eco-system services such as protection against avalanches, land slides, rivers changing course, flooding, sand migrations etc., but also for the protection of arable land and housing areas. Also forests on the margin of forest ecosystems high in the mountains, close to the ocean or to the far north may be given protective status<sup>16</sup>. And forests providing recreational services or providing particular valuable services for the ecosystem may also be given particular regulations.

**Table 1 Formal institutions in Norway relevant for forestry and forest policy**

|   |
|---|
| Act of 8 May 1901 no 6, on diverse matters relating to Røros copper mine's forest office  |
| Act of 9 June 1939 no 17, on wood for consumption of households   |
| Act of 9 Nov 1956 no 4, on fees charged on timber for the benefit of common activities in forestry  |
| Act of 21 May 1965, on forest usage and forest protection (see Act of 11 June 1976 no 77, on changing the name of the act)  |
| Act of 18 June 1965 no 6, on co-ownership   |
| Act of 10 April 1969 no 17, on incidental property <sup>17</sup>  |
| Act of 19 June 1970 no 63, on nature protection   |
| Act of 31 May 1974 no 19, on concessions and eminent domain purchases   |
| Act of 14 June 1985 no 73, on planning and building   |
| Act of 19 June 1992 no 59, on bygd commons  |
| Act of 19 June 1992 no 60, on timber in state commons   |
| Act of 19 June 1992 no 61, on private commons   |
| Act of 19 June 1992 no 62, on changes in act on watershed regulation and others   |
| Act of 12 May 1995 no 23, on land use   |
| <i>Of less importance</i>   |
| Act of 9 June 1972 no 31, on pasturing by Swedish reindeer herds in Norway and Norwegian in Sweden  |
| Act of 6 June 1975 no 31, on rights in state commons ("the mountain law") with regulations of 21 April 1983 no 1011, on leases of elk hunting on state lands, and 19 April 1988 no 336, on game management on state lands |
| Act of 9 June 1978 no 49, on reindeer herding   |
| Act of 21 December 1979 No 77, on land consolidation  |
| Act of 29 May 1981 No 38, on wild game  |
| Act of 11 June 1993 No 106, on changes in the Act of 29 May 1981 No 38 on wild game   |

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<sup>16</sup> Some kinds of forests may be granted some variations on the formal rules by the ministry. These are the forests owned by the state, counties or municipalities, and also forest owned jointly (Act of 19 June 1992 no 59, on bygd commons) and forests defined by the act of 9 June 1939 no 17, on wood for consumption of households. Also forests below some threshold size may be exempted.

<sup>17</sup> Previous Acts: Christian the V's NL 5-3-29, 5-5-5, 5-5-6, from 1687.

To oversee that the act is enforced the act mandates as forest authorities:

1. The Municipality
2. The County Agricultural Board, and
3. The Ministry of Agriculture

The final authority in disputed cases lies with the Ministry.

The act requires each municipality to keep people with approved professional expertise on forestry. The Ministry decides what can be considered relevant expertise.

The primary decision making power thus lies with the municipality. Any stakeholder dissatisfied with a decision may bring the decision up for the County Agricultural Board for review or even up to the Ministry. The County Agricultural Board also have an independent duty to review municipal decisions and may on its own bring questionable decision to the attention of the Ministry. The Ministry is the final authority and have to review the activities of municipalities to see that the purposes of the act obtain. To improve the prospects of achieving the goals the Ministry may revise or write such new regulations as the law mandates.

One important consequence of the allocation of power is that in so far as there within the municipality and the county agricultural board is agreement on rules and procedures, the regulations of forestry on the ground is in accord with the people's understanding of their rights and duties rather than the Ministry's understanding. And what goes on is largely invisible to the ministry unless and until they from independent investigations find some local development contrary to the purposes of the act.

#### *Informal institutions in Norwegian forestry*

The informal institutions in Norwegian forestry are harder to identify. On theoretical grounds we will expect that for example large forest owners employing people in their forestry activities at least must be expected to develop local operational rules adapting the national legislation and regulations to local conditions.

Today professional foresters will usually be directing the workforce. And even smaller forest owners may have a professional education. Hence the professional interpretations of the various standards for what a badly or properly maintained forest look like, will play a crucial role. Such evaluations as preferences for size of cuttings in relation to landscape qualities, evaluations of the relative merits of different cutting and planting technologies, judgements on the relative merits of various forest qualities in relation to hunting and wildlife production, preferences for type of tree in plantings, or beliefs about the relative future prices of different tree species will all in some way affect the decisions of a forest owner. Over time rules of thumb – or more generally - local institutions develop. These local institutions change slowly. The basic input of new points of view comes from education, particularly the education of professional foresters, but also the occasional review of professional developments in newspapers and journals available to forest owners may at times have an impact.

In many communities in Norway most forest properties are too small for continuous profitable forestry. Forests can be cut in the necessary volume only during a few years in each generation. Owners of such forests are mostly dependent on the professional advice of the municipal bureaucracy if they want to cut in their forest. But also here the interactions of the local forest owners will produce opinions and interpretations about forests and how they might be tended. However, the evaluations may concern other issues than those of the larger

forest owners. For small forest owners the basic question may be if tending the forest is worth the effort at all. The income from work in the forest relative to other available work may be so low that most local forest owners will let the forest take care of itself. This, of course, will at some point be at cross-purposes with the formal institutions. But exactly when should the municipal bureaucracy exercise their powers? And how can it be done without stirring up antagonisms in the local population? Most local municipalities are content to leave the issue alone. And as the importance of old growth forest increases, and the price of timber continues to slide, the legislation is not felt to be very relevant. The informal local interpretations of the situation will more or less make the formal institution inapplicable if not altogether illegitimate.

Also the growing sector of NGO's with views on forest and forestry activities are parts of the complex of forces affecting the choices of those who actually appropriate the various goods produced by forests.

*Private Formal Institutions in Norway*

During 1995-98 a very interesting development occurred in Norwegian Forestry through the "Living Forest" project.

|    |   |
|----|---|
| 1  | Labor force and competence  |
| 2  | Handling of waste   |
| 3  | Protection of forest land   |
| 4  | Biologically important areas (old growth forest and key habitats) |
| 5  | Forest affected by fire   |
| 6  | Mountain forest   |
| 7  | Outdoor recreation  |
| 8  | Old, sturdy trees and dead wood                                   |
| 9  | Protection of genes in trees                                      |
| 10 | Use of fertilizer   |
| 11 | Forms of logging  |
| 12 | Cultural landscapes   |
| 13 | Cultural heritage   |
| 14 | Landscape planning  |
| 15 | Long term timber production                                       |
| 16 | Soil preparation  |
| 17 | Bog and swamp forest  |
| 18 | Planting of forest and change of tree species                     |
| 19 | Forest roads  |
| 20 | Spraying  |
| 21 | Transport across terrain  |
| 22 | Tree species distributions  |
| 23 | Water protection  |

The goal of the project was to assist forest owners in developing sustainable forestry in the spirit of recommendations from the Brundtland commission of 1987 and the Earth Summit in Rio de Janeiro in 1992, and to construct a national consensus on principles of sustainable

forest management. However, the force precipitating the project was the perception among the Norwegian forest owners and forest industry of a growing market demand in Europe for timber certified as coming from sustainable forestry<sup>18</sup>. Therefore the work on standards that could be included in a timber certification system became the main work of the “Living Forest” Project.

The outcome of the project, «Standards for Sustainable Norwegian Forestry», was presented in 1998 (see Sanness 1999). It contained the recommendation of 23 operating procedures for the various forestry activities considered. The standards were confirmed on March 27, 1998, by the project board representing forest owners, forest industry, forest workers, environmental NGO's, consumer organizations and public authorities.

One theoretically interesting aspect of the “Living Forest Project” is that it is an example of what we may call private institutional development. It is not only local communities that can make their own informal rules of behavior, also a group of companies and associations are occasionally able to do that. But in the latter case, and in a large-scale society, it cannot be *only* informal or be expected to stay informal for very long. It has to be written down and promulgated. An agency needs to be mandated to enforce the rules. It becomes a full-fledged formal institution. It is not created by the state. But it can be co-opted by the state and made part of government policy. This is just what institutional theory recommends (Desoto 2000).

Besides this we should not forget the role of the Forest Owner's Association in forming opinions and beliefs about good forestry and promulgating it to its members, usually embedded in the professional language of forestry.

Some of the NGO's also belong here. By getting legal standing organizations such as the Norwegian Tourist Association are able to affect the development of formal institutions in more ways than through grassroots activities that slowly change values and priorities among voters or consumers.

#### *Institutions and the NFP-process in Norway*

The NFP process is about reshaping institutions. How will existing institutions react to the effort to transform them?

The basic features of the formal institution are:

- Production and protection oriented goals
- Possibilities for particular regulations of environmentally sensitive forest areas
- A locally anchored professional decision making bureaucracy directed by elected councillors and monitored by the Ministry

In relation to the NFP process most of the proposed principles would seem to conform to existing practice. The one principle that potentially may prove difficult is the principle of a “Holistic and intersectoral approach”. Currently there is no working procedure to ensure that local interests and activities really sum up to the national goals of the NFP. And Norway in general has a rather mixed track record in this area. Regional coordination of activities is perhaps the major problem of collective action in Norwegian society. On the other hand, the

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<sup>18</sup> «There are today consumers with a bad feeling when using paper and wood products. One of our goals is to give these consumers a good conscience.» (My translation from Norwegian of Thor H. Lobben's statement p 6 in Lobben 1995. Lobben was chairman of the board for «Living Forest»)

requirement of “decentralization, where applicable, and empowerment of regional and local government structures consistent with the constitutional and legal framework of the country” should point the way to an aggregation procedure sensitive to local conditions and customs. To develop such a procedure will be a major challenge to succeed with the NFP.

But institutions are not only rules, they are also people who know and believe in the rules and with a mandate to enforce them. The first agenda must be to persuade this group of people that the changes are necessary and desirable. In modern states this can usually be done. But there are also other obstacles.

The old institutional structure will have created a population of (forest industry) organizations very good at extracting a profit by playing the game according to existing rules. There (probably) is what North (1990) calls a lock-in between the institutional structure and the organizations. If the proposed institutional changes threatens the profitability of some group of organizations these will react politically exerting whatever political powers they have to shape the new institutions so that their profitability can be maintained. This is where we will find the real obstacles to the NFP process.

For Norwegian forest policy it is fortunate that the larger group of the forest industry organizations were ahead of the government in seeing that the future profitability of their industry would hinge on the ability of the forest industry to adapt to sustainable forest management. The forest industry went ahead and created an institution they could feel comfortable with, and which did a lot of the things the government wanted to impose on them. It was a win-win situation. The government can adapt its policy to the rules the industry already has agreed on, rules created to conform to the sustainable forestry implied by the NFP guidelines. Hence, the political problems of institutional change are non-existent, except possibly within the bureaucracy. Some bureaucrats may sense that an opportunity for strengthening the power of the bureaucracy has been lost. But being presented with a fait accompli, the optimal strategy also for them is to adopt it as government policy and include it in their future plans.

The large sector of small-scale forest owners would seem to represent a much more difficult problem, at least in relation to the existing law. Today their non-attention to the forest probably is not a problem for the NFP principles, but probably for the production ideology of the current law. However, if the relative price of timber changes significantly, and if they start exploiting their small forests extensively in the spirit of the current law, they may become a problem for NFP’s ideology of sustainable forestry. However, the current law is in the process of being rewritten. The international agreements on forest policy are considered guidelines for Norwegian forest policy.

## The Case of Finland

### Introduction

Forestry can be placed into its own institutional framework but at the same it forms a part of the same for the national forest programmes. Also forestry has been assigned the role of institution, through which society gets access to the different functions of the forest (Schanz 1998). From the standpoint of the national forest programmes in Finland something that could be called a "glue" theory of institutions is also appealing. According to Sztompka (1994, also elaborated in Schanz 1998) institutions are one of the four kinds of tissues or fabric, which emerge in society and bind it together: the tissues of ideas, of rules, of actions and of interests. The interlinked networks of rules (norms, values, prescriptions, ideals) make up the normative dimension of the field, its 'social institutions' (Sztompka 1994).

Similarly in Finland, one can claim that the basic role of the national forest programmes has been to bind together ideas, rules, actions and interests, which in forestry more often are conflicting and contradictory than complementary and co-ordinated. This coordinative and consensus seeking function of the national forest programme has become more and more important, as is well-elaborated in the principles of NFPs (e.g. Glück 1999).

In the country so dependent on forestry and forest industries as Finland one might expect that the institutional framework of the forest sector or the "forest cluster"<sup>16</sup> is "well-developed". No doubt there are many forest related institutions in the country and many of them even used to have considerable implementation capacity to exercise the mandate they have been given<sup>17</sup>. The institutional-organisational framework can be outlined presently in a way given in Figure 1.

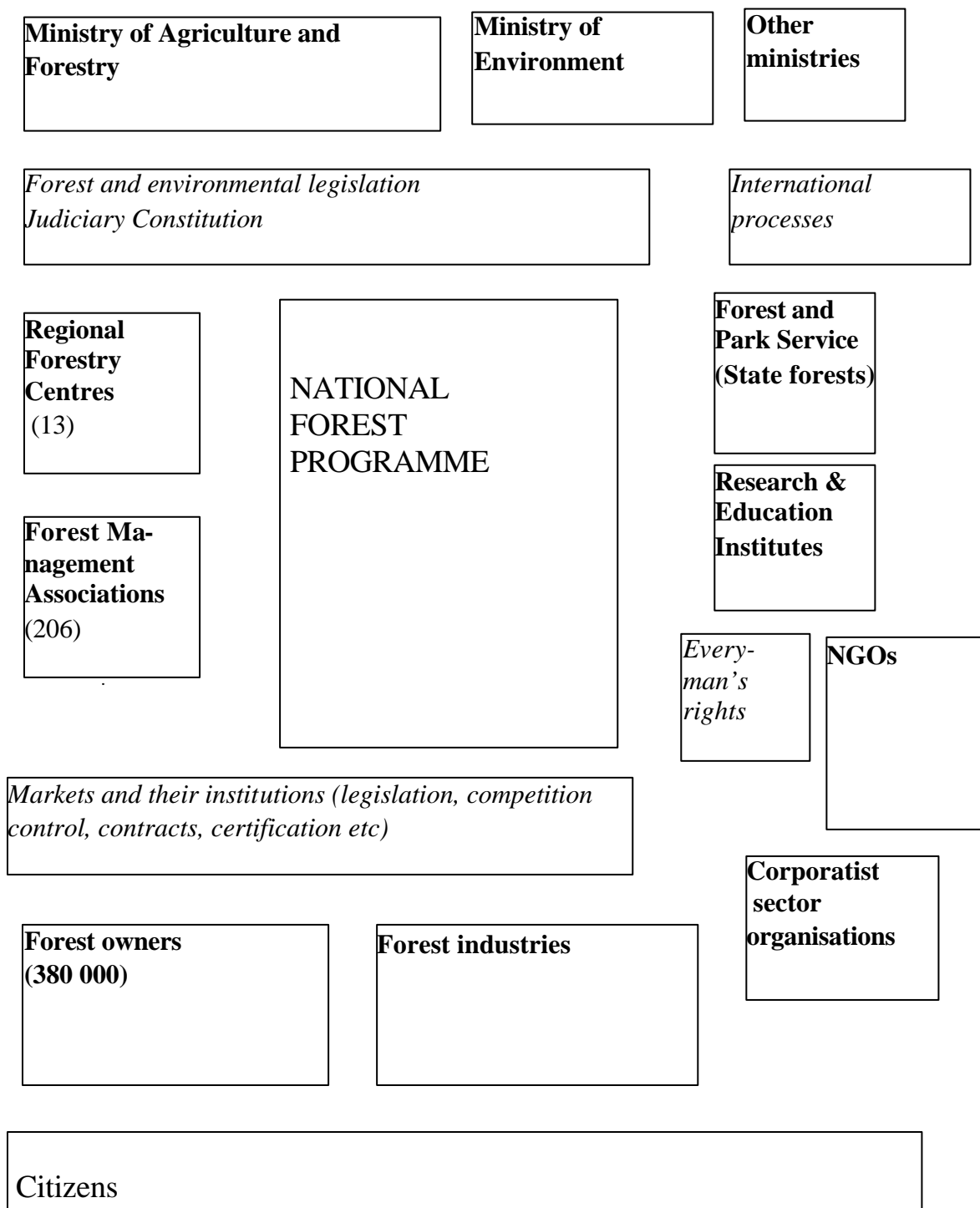
However, to-day's solid institutions have once been initiated and given birth, have been struggling for their survival and present positions. But even the strongest institutions are not permanent, but have to adapt to the new situations and social trends, requiring, for example, the substantial decrease of public spending and state intervention in forestry or emphasizing other than institutionalised values. This Finnish case study tries to give some examples of the historical dimension of the institutions, to remind that the institutional framework where the new National Forest Programme and its predecessors have been produced, always is in slow - sometimes faster - evolution.

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<sup>16</sup> Forest cluster is a concept adopted in the 1990s to demonstrate the total significance and mutual interconnections of forestry and forest industries related economic activities in economic and industrial policies. The cluster concept is used for other industrial entities as well and has evolved from the competitiveness studies of e.g. Porter (1989). Besides forestry and forest industries (the forest sector) it includes related metal engineering and metal workshops, chemicals production, energy production, transport, other service enterprises including R&D activities and consulting. It has been estimated that the entire forest cluster makes about 10 % of GDP and 30-35% of gross export earnings in Finland (Lammi 1999, Maa- ja metsätalousministeriö 2000).

<sup>17</sup> In some critical comments, it has even been claimed that in the past the capacity might have been extended even "beyond the mandate" at the cost of the freedom of the forest owners (e.g. Palo 1993 and Vaara talk about "planning economy in Finnish forestry," for counter argumentation see e.g. Saastamoinen 1995).

*Political institutions create and modify forest related institutions*



**Figure 1. The institutional framework for National Forest programme in Finland**



### **Property rights as a changing institution**

Property rights are a fundamental institution in forestry but as elsewhere their evolution has gone through a long and sometimes painful history. What the history has taught us is, that the contents and the structure of forest ownership have been formulated by political and economic factors largely external to forestry. In the following, some historical changes in forest ownership in Finland are featured.

Communal social organisation and ownership of resources were the only ways for primitive societies to survive in the struggle against the dangers of the wild nature. In Finland, private ownership of land developed first for housing plots and permanent agricultural land. Jointly used communal (village) forests developed areas close to the settlements. Hunting and shifting cultivation developed temporary rights of land based on occupation and use of work. In some cases areas of shifting cultivation got more permanent occupancy (Helander 1949) and even the more distant hunting areas and fisheries in Finland were regarded to be a part of private ownership. In fact, unlike the other Nordic countries, more than 90% of 33 000 farms in mid 16<sup>th</sup> century belonged to the peasants. Practically all other areas were open access resources until 1542, when Gustav Vasa, the King of Sweden in declared that the wilderness areas “shall belong to the God, the King and the Crown of Sweden”<sup>18</sup>In fact, the forest ownership policy of Gustav Vasa and his successors was favouring the huge wood demand of the iron industry, although at the same time the Crown also had a major but conflicting aim to encourage settlement to widen the taxation base.

The increased dependency of peasants from the nobility, the taxation debts to the Crown and the emergence of feudal ideology into Sweden worsened the situation and property rights of peasants in 17<sup>th</sup> and 18<sup>th</sup> centuries. Even inheritance (family) estates were regarded only to have usage right to the land ultimately considered belonging to the Crown. In 1789 the farmers get similar full rights to land as the noble had on their freehold estates. From 1757 privatisation of communal lands and borderline between more distant and “excess” private lands and crown land was initiated. The process was quite generous to “old farms” and those owned by the nobility. The system of small rented farms emerged on the peasant farms, which alongside increasing landless rural population was a factor to an increased social tension leading to the Citizen War in 1918. This traumatic phase in the Finnish history resulted in land reforms of 1918 and 1919 and a bit later a partial return of forests bought earlier by forest industrial companies from the farmers with excessively low prices. Land reforms were followed by an agricultural settlement policy in 1920s and 1930s. A new wave of settlement was due to the World War II, when people of ceded areas and the soldiers were to be settled.

These policies were socially and politically necessary but resulted in numerous small farms with small forest areas, many of which were located in the climatic conditions unfavourable for farming. The agricultural farm structure created was not economically sustainable and since late 1960s the continuous decrease of active farms, consequent rural depopulation and change of the structure of private forest ownership has occurred. Urbanisation furthered partitioning and fragmentation of forest ownership. The role of forest policy has mostly been to be able to adapt to these external changes.

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<sup>18</sup>At that time Finland was a part of Sweden. As the King also confiscated a bigger part of the wide land and forest estates possessed by the Church at that time, he apparently had more the other partners of the coalition than God in mind when giving the declaration.

Presently private non-industrial forest owners (about 380 000 families) have 61% of (productive) forest land, state 25%, industry 9% and municipalities, parishes and other collective bodies 5%.

### **From an early breakthrough in forest legislation into recent globalisation**

Besides property rights, legislation belongs to the basic structures of the institutional framework. Three bodies of legislation are important, direct forest legislation, the legislation creating the conditions for the proper functioning of the markets, and the Constitution and other related legislation. The following early history tells us that one part of "market" legislation and forest legislation were once closely connected. It also emphasises the role of the social and economic power structure in the course of development.

In the mid of 19<sup>th</sup> century, when Finland was a Grand Duchy of Russian Empire, the mercantilist structures of the class society were broken down and the norm basis for capitalistic society based on the freedom of the markets were created. Economically and socially the most important battle concerned the course of forest policy (Kekkonen 1987), although the issue more refers to the industrial policy as to the forests.

Forest Act of 1805 (inherited from Sweden) was liberal to the peasants' forest use but included mercantilist regulation of developing saw-milling industry. The argumentation was based on forest protection but the real concern was the sufficiency of forest resources for the needs of iron production – what had been favoured by the mercantilist state already for centuries. The iron industry was afraid of an increased competition for wood, which they anticipated to increase wood prices. Although the scale of iron industry in Finland was rather modest, there was a strong fear that when the mineral resources of the country were to be revealed, the lack of wood would prevent their utilization (Helander 1949, Kekkonen 1987).

The Forest Act of 1851 represented the mercantilist regulation in a more strict way and the control of saw milling was even increased. (Kekkonen 1987)<sup>20</sup>.

Political change occurred when the Czar Alexander II started to reign in 1858. Already in 1857 a decree was given allowing the establishment of steam sawmills. In 1859 a new committee was launched to investigate the regulations on sawmills. Their proposal was an antithesis of the 1805 Forest Act and stated that the value of forests were dependent on free competition and the development conditions of saw-milling industry. In 1861 most of the regulations of saw-milling industry were removed. (Helander 1949, Kekkonen 1987).

The drastic shift was explained by the shift of Czar's support to the new developing business and industrial class and the emergence of less aristocratic senate, representing a bit wider set of social groups, including the new industrial class. However, Kekkonen (1987) emphasises that state was hardly stronger or more independent than earlier and it did not represent the specific national interest nor that of the population, unless in tactic sense. Rather the role of state was much similar to earlier times, and it was only in the hands of new interest groups and its relative strength was that it implemented - under liberal ideas – policies accommodating to the interests of the growing large-scale industry.

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<sup>20</sup> Indeed, the committee proposal led in 1851 to the establishment of Temporary Board for Land Survey and Forest Management, which in 1859 resulted in the birth of the special state forest organisation, later named as National Board of Forestry (presently Forest and Park Service) - discussed later.

This particular institutional change – “liberation” of the saw-milling industry - undoubtedly contributed towards the economic growth in Finland. Based on their empirical evidence from 19<sup>th</sup> century Morris and Adelman (1989) found that the export and economy of the nations grow faster where governments promoted specialized market institutions, removed institutional barriers to factor mobility and secured private property rights. However, strengthening of markets can also fail to spread the benefits of growth, for example in poor peasant economies commercialisation may increase indebtedness and landlessness. What matters besides the properly established market institutions, are the political institutions. If the governments have undertaken land reforms, provided improved transport, education and extension, economic growth has spread significantly through the economy (Morris and Adelman 1989).

There is a theory connecting the markets and political institutions: competitive markets favour “structurally neutral” governments while monopolistic markets (capitalism) produce governments with sector interests (Kekkonen 1987). Until the early 1980s most development economists regarded ‘the state’ or ‘the government’ in theory as a benign influence (Ingham 1995). Although the opposite doctrine has a long history, the key article, which marked the beginning of the new interest in this topic, was ‘The political economy of the rent seeking society’ by Anne Kreuger (1984). Government restrictions on international trade, for example, give rise to economic rents in a variety of forms. Competition for those rents may be legal but also can involve bribery, corruption, black markets and smuggling. Besides the external costs also other resources are wasted in this kind of competition (Ingham 1995).

In many developing countries the mistrust upon political institutions is evident and is based on strong causes, but mistrust seem not to be the privilege of the third world. In fact, the present criticism against the insufficient control of globalisation represents some suspicion to the benign character of the national governments, in particular in the leading market economies, and to international financial and market institutions (WB, IMF, WTO) and trans-national corporations (Väyrynen 2001).

One can claim, that the institutional leap from a dispute of regulating or liberating the Finnish saw milling industry one and half century ago to a globalisation debate of today is too long. It is not necessarily so, although we cannot know whether our presently globally oriented forest industries were as strong as they are without the decision done. It is also important to notice that many of the economic and political institutions are increasingly trans-national or “transversal”: the decisive borderline between internal and external realities of the nations has lost its significance and the two systems shape each other in mutual interaction (Väyrynen 2001, 45).

### **State forest organisation: an example of institutional evolution**

The permanent state forest organisation was established in 1859. It focused on state lands declared as crown forests, which were divided into regions and forest management districts. At least formally also the control of private forests belonged to its tasks. After the independence of Finland, the Act on Forest Administration from 1921 defined as its tasks to manage, control and promote forestry in Finland.

These rules were in force until the new act on forest administration in 1967. The basic task was still formulated as to promote and lead forestry of the nation. National forests should be managed so that to achieve economically profitable increasing wood yield in a sustainable way and the productive capacity of the land utilised according to the opportunities.

The state land area was lowest in 1970, when it was 8.25 million hectares. Nowadays it is 8.8 mill.ha. However, due to the northern location of the larger part of the forests only 3.5 million hectare is commercial forest and annual wood delivery about 4.5 million m<sup>3</sup> making 6% of total annual wood use (wood import included) of forest industries.

In the late 1980s the Government set up the committee to study the possibilities to transfer some of state organisations having business activities into a new kind of institution called state business enterprise. National Board of Forestry was interested in the transition and initiated an intensive internal preparation, supported by outside consultant, for the change.

The Act on Forest and Park Service (1169/1993) states that the Forest and Park Service is a state enterprise operating within the administrative sector of the Ministry of Agriculture and Forestry. Its tasks are to manage, use and protect in sustainable way and profitably natural resources and other property under its control. The conservation and improvement of biological diversity must be taken account sufficiently as an essential part of sustainable management of natural resources together with other aims set up for forest management and protection. This act was the first forest act in Finland to include the principle of biological diversity.

One of the results of the proactive approach to the change was that the organisation - having increasingly enterprise orientation - has been able to continue of managing also the network of nature conservation areas established under the nature Conservation Act. The Natural Heritage Services is subordinated to the Ministry of Environment. This is a unique solution.

The Forest and Park Service also has other social and public authority duties, which are financed by the state. It manages on state lands the authority given in the Fishery Act (286/1982), Act on Skolt Lapps (611/1984), Act on Nature-Based Economic Activities (610/1984), Act on Terrain-vehicle Traffic (670/1991), Hunting Act (615/1993), Outdoor Recreation Act (606/264/1961)

As a part of streamlining some of the profit making business units of Forest and Park Service are being restructured into subsidiary companies. Such units are engaged in nature tourism (Wild North), estate business (Laatumaa), nursery business (Forelia Ltd), and consulting (after a recent merger Metsähallitus Consulting Oy and Indufor Oy joined their activities).

Forest and Park Service has been pioneering in participatory planning in Finland since early 1990s. Participatory planning has been used in the development of Natural Resource Management Plans and also in Landscape Ecological Plans for state forests (Wallenius 2001).

It is interesting to notice, however, that the formal connections between Natural Resource Management planning of state forests and the National Forest Programme 2010 remain thin. They are mentioned once (Ministry. 1999, 18), but the formulation only says "Nature Resource Plans provide the guidelines for sustainable forestry in state owned forests". This probably should be interpreted in a positive way: professionally managed state forests are not a problem area in NPF.

### **Institutions of private forestry**

The turning point in institutional development in private forestry was the Private Forest Act of 1928. Under its provision a new organisational structure was developed. Regional forestry

boards were established and what was innovative was that regulation was amended by the promoting and extension functions. At least as important was that the supervision of the regional forestry boards was created by giving it to the two national forestry associations (Tapio, Skogskultur, both of which had been the language based non-governmental central organs for earlier forestry boards. It meant that a strong element of autonomy of forest owners was included into the control and promotion agencies of private forestry (Pohjolainen and Uitammo 1997). The Act on Forestry Boards (4117/1967) brought the representatives of forest industries and forest workers in addition to the forest owners into self-administration of private forestry (Palo 1993).

The Act on Forestry Centres and the Forestry Development Centre Tapio came into force in 1996. It streamlined the administration for promoting and controlling of private forestry. The forestry centres get state funding for certain basic activities while the centres also have separate business activities (selling mainly services to any customers).

The Forestry Centres are major organisations for promoting forestry within their regions. The new tasks of forestry centres emphasise also the care on forest nature management and conservation of its biodiversity as well as development of entrepreneurship based on forests.

Forestry centres shall also prepare in wide consultation with the stakeholders regional forestry target programmes and implementing those programmes. The regional forestry programme include the general targets set for promoting the sustainable forest management, the targets set for the measures and their financing as specified in the Act on the Financing of Sustainable Forestry (1996, summarised below), and the overall targets set for the development of forestry in the area.

The first regional forestry programmes were completed in early 1998. They served among the sources in the compilation of the National Forest 2010 programme. The national programme was approved in 1999 and in 2000 the regional forestry target programmes were revised to be in concordance of the national programme.

They are also in charge of implementing the Forest Act and the Act on the financing of sustainable forestry (introduced briefly later). The forestry centres are now directly subordinated to the Ministry of Agriculture and Forestry. The earlier central organisation Tapio was removed into separate development organisation providing mainly services for the regional forestry centres.

The forest management associations are important field institutions in private forestry. They operate at local level connecting private forest owners and providing services for them. Voluntary co-operation among forest owners spread slowly until early 1930s when the state began give some financial aid to the forest owners' associations. In 1950 the Act on Forest Management Associations was enacted in order to get their financing secured through a forest management fee (Linnamies 1970).

The act was recently reformed. The changes in the new Forest Management Association Act (534/1998), were not radical. The forest management fee was maintained and the administrative structure of associations was reformed. The timber trade activities allowed without the written agreement of forest owners were defined to include fuel wood and wood for local small scale processing. The neutrality of associations concerning the major wood buying companies was clarified. The associations remain to be controlled by the Forestry

Centres. Nowadays forest management associations face increasing competition in the supply of similar services from the forest industry and small independent service operators.

The Forest Act (1996) comprises the core of the new Finnish forest legislation. The formulation of the purpose of the law was given in the following way: “The purpose of this Act is to promote economically, ecologically and socially sustainable management and utilisation of the forests in such a way that the forests provide a sustainable satisfactory yield while their biological diversity is being maintained.”

The new Forest Act (1996) concerns all ownership groups of forests, unlike its predecessor Private Forest Act of 1967. Earlier the state forests were under the internal control of the professional state forest organisation itself.

The old Forest Improvement Act was substituted by the Act on the Financing of Sustainable Forestry (1094/1996). According to the Act, the measures which promote the sustainable forest management receive financial support from the annual appropriations included in the State budget in the form of aid and loan as provided in the act.

The following measures are specified in the Act: 1) ensuring the sustainability of timber production; 2) maintenance of the biological diversity of the forests; 3) forest ecosystem management undertakings; and 4) other promotional measures supporting the activities specified in 1-3. Financial support may be granted to private landowners based on application.

### **The Ministry of Agriculture and Forestry and changing institutional balance in forestry**

The Ministry of Agriculture and Forestry creates the conditions for the sustainable and diversified use of renewable natural resources and for developing the economic and leisure-time activities of the countryside. The Forest Department of the ministry has the highest authority in forestry related matters. The Department is responsible for the preparation of legislation, the financing of support measures and the monitoring of implementation, as well as the direction and support of research and advice. It also performs actively in international forest cooperation and negotiations. In arenas such as post-UNCED forest forums, the Ministerial Conferences on Forest Protection in Europe, in the European Union's forest related considerations, FAO's forestry activities and in the forestry cooperation within near-by areas of Finland (e.g. Russia, the Baltic states) and Northern Dimension.

The present central role of the ministry in forestry is demonstrated by the fact that all the major institutional changes occurring in the 1990s in forestry arena (the reform of forest legislation, the organisational streamlining, the National Forest Programme 2010) were prepared and implemented under the leadership of the ministry.

However, the leadership of the ministry in forestry is more of a recent origin and reflects the institutional evolution in forest sector. Two points are essential here. Earlier, in particular in forestry, the state administration was weak in relation to corporative organisations. Secondly, inside the public forest organisations the ministry department was weak.

The institutional structure typical to corporatism was prevailing in Finnish forestry was characteristic to Finnish forestry until the 1980s at least (e.g. Palo 1993, Ollonqvist 1998, Saastamoinen 2002). Although the corporatist structures included a variety of partners in the course of time, in the core of the corporatism there were two strong interest groups: the Association of the Forest Industries representing the mighty forest industries and the

Association of Agricultural and Forestry Producers, representing the large number of forest owners. Politically, their initiatives were regularly supported by related political parties (of which the agricultural party in a sovereign way commanded the Ministry of Agriculture and Forestry).

Compared to the social and political capacity of the corporatism, the capacity of “independent” state leadership in forestry was rather modest, in particular at the political level of the ministry. For many reasons, but perhaps mainly due to the decreasing role of the forest sector in the economy, accelerated with similar trend in the agriculture, the institutions of the forest-based corporatism has been losing ground in Finland, although still are important.

Inside the governmental and semi-governmental administrative institutions the two central forest organisations (Forest and Park Service, and the Central Forestry Boards of Tapio and Skogskultur) earlier had a higher profile than the small forest department

The change of power balance for the ministry since eighties was due to the two reasons. First, there was a wide political agreement among the governments and the Parliament, that the role of all ministries representing more directly the political will of the government and the democratic control of the Parliament should be strengthened at the cost of the central administrative bureaucracies. The other reason was the administrative and economic rationale to streamline the public organisations in forestry. Parts of tasks and human resources were moved to the ministry, some were deleted or decentralized. One may find also the third factor strengthening the leadership role of the Ministry of Agriculture. The increasing role of international negotiations and conventions referred earlier made the ministry also more important at the domestic arena.

### **Environmental institutions: organisations and legislation**

While recognising the present prominent role of the Ministry of Agriculture and Forestry, one has to add at the same breath, that the corporative structures still exists and even within the public administration the ministry can not act alone without taking account the views and competence of the other ministries.

In particular, in preparing the reorientation of the Finnish forest policy to respond the domestic and international environmental demands it was closely cooperating and also influenced by the Ministry of Environment. One may claim, that the mandate of the Ministry of Environment in forestry related matters was not due the environmental legislation, but largely was derived from informal institutions, basically reflecting the public opinion power of the non-governmental environmental organisations. The ministry also have Regional Environmental Centres taking care of environmental and nature conservation issues in the field and cooperating also with Regional Forestry Centres and Forest and Park Service.

One of the key features in the Finnish forest legislation reform was that the new Forest Act and the new Nature Conservation Act (1096/1996) were prepared purposefully at the same time and so that they were co-ordinated and in close accordance with each other. The goal of the act is to maintain biological diversity of nature, care natural beauty and landscape values, support sustainable use of natural resources and natural environment, improve knowledge on nature and nature hobbies and promote nature research.

Other environmental legislation include, for example, the Act on Wilderness Reserves (62/1991) and the Act on Environmental Impact Assessment Procedure (EIA) (468/1994).

The aim of the latter is to further the assessment of environmental impact and the consistent consideration of this impact in planning and decision-making, and at the same time to increase the information available to citizens and their opportunities to participate in decision-making. National Forest Programme 2010 was brought into the environmental impact assessment by independent experts, although the decision was political and not directly based on the EIA Act (Hildén et al 2000).

### **Conventions, criteria and certification: instruments or institutions?**

In one of the regional processes related to UNCED, (although already started in 1990 in Strasbourg) the European Ministerial Conference on the Protection of Forests in Europe, the resolutions passed by UNCED were discussed at European level. Among the achievements of the Helsinki meeting in 1993 was the drawing up and agreeing on the pan-European criteria and indicators for sustainable forestry. Since that time they have been further elaborated and developed in the third conference in Lisbon in 1998. All this means that we are having new institutions or "would-be-institutions" which definitely already have had an impact on forestry.

There is also a close connection between the criteria and indicators of sustainable forest management and forest certification. The basic difference is that the former are included into the resolutions of the intergovernmental processes while the latter is voluntary action of the market actors.

In autumn 2000 there were more than 30 different national, regional or global certification systems covering more than 60 million hectares of forest (Maa- ja metsätalousministeriö 2000). As stated earlier, voluntary certification means the emergence of informal institutions into the institutional framework of forestry.

The focus of Pan European Forest Certification (PEFC) has been the development of group certification for small private forest owners although the model can be applied for other forms of forest ownership well. The Finnish Forest Certification System (FFCS) developed during 1996-99 has been accepted by PEFC and certification started in 1999. Over 95% of forest areas of Finland is certified. FFCS is also based on group certification of private forests. Although FFCS has been almost unanimously supported by the Finnish forest owners, forestry authorities, and the industry, it has been criticised by the major environmental NGOs, which departed from the process of developing jointly FFCS. The focus of criticism was the conservation of biodiversity in managed forests and perceived lack of protection of old-growth forests and other key habitats in PEFC/FFCS (Greenpeace Nordic & the Finnish Nature League 2001).

Certification is said to be a process led by markets. It is a part of policies for improving sustainability of forestry and the forest sector at large, but it is also a tool for maintaining or improving the environmental image. In image building the environmental organisations do have a considerable market power, which they are able to exercise effectively through the mass media.

### **NFP in Finland: an institution without the institutional basis?**

As said earlier, the Forest Act of 1996 makes regional forest target programmes mandatory but does not mention the need for a national forestry programme? That is a bit strange situation since Finland has a long tradition in national forestry planning and programming,



has been promoting national Forestry Master Plan schemes in the bilateral development cooperation from the eighties, and has also done the same in the international arenas concerning forest policies in the nineties. Two reasons can be given (Saastamoinen 2000): economic and political climate of the nineties were against state intervention in all economic areas, and similar arguments were also targeted against many traditional institutions in Finnish forestry (e.g. Palo 1993). The other reason might have been the suspicions of forest owners towards institutionalised national planning, perhaps due to the fears that it might cause more restrictions and weaken the strong positions the powerful interest groups have had in the earlier non-institutionalised type of planning.

National forest programmes (earlier forest intensification programmes) have played a central role in Finnish forest policy since early 1960s. If even the rapidly revised or amended versions of the earlier programmes are included, one might end with up to ten national scale programmes including the present National Forest Programme 2010. If sustainability qualifies for an institution, that label can easily be given to the Finnish national forest programmes. If the criterion of an institution is the effectiveness and real outcomes, the same conclusion can be drawn. However, if we regard that an institution shall be supported by specific legislation, organisational mandate or any kind of longer-term agreement among the actors, the Finnish tradition of national forest planning does not meet the requirements. Clearly, NFP in Finland is not a formal institution but an informal one. Nevertheless, even as an informal, it represents already an institution and no doubt an influential one. The need of NFPs has been based on the mix of professional, corporatist and political consensus, where the weights of the components of the consensus have reflected in each period the prevailing institutional framework.

Similarly, the institutional framework and the economic and social context has characterised the contents of each national programme. The present National Forest Programme 2010 is characterised by more explicit reliance on markets and recognition of the autonomy of the economic actors, nevertheless it contains public financial incentives and has made an effort to increase or stabilise these after years of declining trend. The programme reflects the increased needs of environmental concern in forestry although these needs were "institutionalised" already before the programme compilation. Further, the programme makes an effort to promote multiple use orientation on forestry but remains a bit toothless in its concrete measures. A real breakthrough has been done in introducing the participatory approach into national forest programmes although the relatively short preparation period meant limitations in the actual participation. The process nature of the programme is an innovation as such and offers room for continued participation. The process approach similarly facilitates the degree of flexibility necessary in changing conditions.

Finally, the national forest programme 2010 been able to bind together ideas, rules, actions and interests in forestry, and reach a reasonable consensus. One can claim, that the consensus and commitment to the targets of the programme is not that strong than during the first corporatist programmes and that its mobilising capacity may not reach the level of the past. It may be so, but one should also understand that the range of values, conflicting views and different groups and partners is nowadays much wider than in the past. The implementation of the programme is less straightforward than in the past, as the partners are more diverse and more independent, reflecting the more complicated institutional framework. Nevertheless, the sustainability lies not in the speed of the progress but in the course of the move. The wider is the list of the participants, the wiser might be the policy of "making haste slowly". However, to expect everybody to move into the same direction might mean no move at all.

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