

Adaptation to EUTR Requirements: Slovenia, Croatia and Serbia

Subjects: **Forestry**

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Eight years after the European Union Timber Regulation (EUTR) came into force, its effectiveness is still unsatisfactory due to deficient and uneven implementation among member states. In addition, some Western Balkan countries have poor legality monitoring systems, increasing the risk of trade in illegally harvested timber. Regardless of this, no recent work has analyzed the adaptation of national forest policies to the EUTR obligations. Author study aims to contribute to the understanding of EUTR implementation by analyzing the adaptation of policies of the Western Balkan countries (Slovenia, Croatia, and Serbia) to the EUTR. Qualitative content analysis was conducted on 22 policy documents from Slovenia, Croatia, and Serbia. Documents were coded using coding categories derived from EUTR. Our results point out that none of the analyzed countries have a policy to directly address illegal logging or prevention of illegal activities. As EU members, Slovenia and Croatia has implemented EUTR through laws. The Slovenian Forest Act addresses all EUTR obligations, while Croatian Law on EUTR Implementation does not directly address the obligation of legality. This obligation is addressed by the Law on Forests. As Serbia is not an EU member, it did not implement EUTR. Nevertheless, Serbian Law on Forests addresses all EUTR obligations, but has some discrepancies regarding Traceability obligation. With ongoing discourses on Green Deal policies and the increasing focus on “deforestation-free” commodities, stricter implementation might be expected of EUTR at EU level. Most countries would probably have to build capacities for EUTR implementation and become more transparent and responsible concerning information availability. To successfully implement EUTR, an increased number of checks as well as stricter fines will be needed.

EUTR implementation

forest policy

1. Introduction

Over the last three decades, many efforts have been made to address deforestation and illegal logging. The European Union (EU), United States of America (USA) and Australia, among others, have adopted specific measures to avoid the placing of illegal timber on their markets. To prevent imports of illegally sourced timber and timber products, the EU adopted the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan in 2003 and the EU Timber Regulation (EUTR) in 2013. While FLEGT addresses the supply side (producing countries), EUTR addresses the demand side (importing EU countries). The EUTR obliges importers to implement a due diligence system (DDS) to minimize the risk of importing illegally sourced timber and timber products to the EU.

EU regulations increased awareness of illegal logging in producing and importing countries ^[1], but the effects of these regulations on the trade of illegally sourced timber and timber products are still debated. Eight years after the EUTR came into force, its effectiveness is still unsatisfactory due to deficient implementation ^[2]. The implementation of EUTR within EU member states is uneven, which impacts its effectiveness also on market operators and traders. In its 2020 fitness check, the European Commission reported that “while progress has been made in some countries, the current level of technical capacity and resources (both human and financial) allocated to the Competent Authorities often does not correspond to the needs and must be strengthened in most of the member states to increase the number and quality of compliance checks” ^[3], p. 11). Furthermore, many reports and studies reveal other gaps in implementation (i.e., information disclosure, weak sanctions, etc.), which need improvements to succeed in a full and effective implementation of the EUTR ^{[2][4]}. They call for the EU to strengthen the EUTR implementation and facilitate the removal of deficiencies, stating that uneven implementation by the member states might indicate that “the fight against illegal logging is not considered a high priority by national governments” ^[2], p. 19).

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2. EUTR Obligations and Their Enforcement

The EUTR was passed by the EU Parliament in October 2010 and entered into force in March 2013. It covers the demand side for timber and timber products, by prohibiting the placing of illegally harvested timber and timber products on the EU market ^[5]. EUTR lays down three main obligations for operators who place timber and timber products on the EU market ^[6]:

- (1) It prohibits the placing of illegally harvested timber and products derived from such timber on the EU market for the first time.
- (2) It requires operators (i.e., those who place timber products on the EU market for the first time) to develop, implement and update a due diligence system (DDS), by obtaining information on the source and legality of

timber and timber products, as well as conducting a risk assessment and risk mitigation.

(3) It requires traders (i.e., those who buy or sell timber and timber products already on the market) to keep records of their suppliers and customers.

Operators can use their own DDS or one provided by monitoring organizations recognized by the European Commission. The task of the monitoring organizations is to assist operators in complying with EUTR requirements. The monitoring organizations develop a DDS, grant operators the right to use it, and check it is used correctly [5]. With this respect, forest certification schemes (i.e., FSC and PEFC) can be used by companies as a complementary tool for proving legality of timber and sustainable forest management. Furthermore, they can be used “also as an influencer in private and public purchasing policies and as a component of emerging wood harvesting and trade legality schemes” [7].

EUTR is legally binding for EU member states. Member states designate one or more Competent Authorities that are responsible for carrying out checks at regular intervals on operators’ compliance with the EUTR, as well as for laying down penalties and enforcing the EUTR. “The institutional structures, legal powers, and status of the designated authorities vary between countries due to their different legal and institutional frameworks” ([3], p. 2). Penalties differ considerably between countries, as well as “the approach taken to ensure effectiveness, proportionality, and dissuasiveness of the penalties applied” [8] (p. 1). The majority of countries impose administrative fines (23 countries) or seize timber and timber products (23 countries). In some countries, criminal fines (16 countries), suspension of trade authority (15 countries), or even imprisonment (17 countries) are applied for breaching the EUTR provisions [8]. In addition, criminal fines by 16 countries, imprisonment by 17 countries, and other penalties can be imposed by 11 countries [8].

3. Forestry in Selected Countries

This section first presents a brief overview of the forestry sector in the selected countries focusing on forest resources, their ownership and tenure, as well as on wood production and the main trade flows, on illegal activities and, finally, on tools for promoting responsible forest management and tackling illegal logging, namely forest certification and EUTR implementation.

3.1. Slovenia

Slovenia is one of the most forested countries in Europe with 1,176,754 ha of forest cover (58% of the territory) [9]. Forests in Slovenia are mainly owned by private forest owners (77%), 20% are state-owned, and 3% are owned by local communities. In 2019, the total volume of forest wood assortments produced in Slovenia was 4,729,000 m³, of which 40% were exported [10]. The main export destinations are Austria and Italy, while the main import partners are Croatia, Italy and Austria [11][12].

All state forests are managed by the state company Slovenski drzavni gozdovi–SiDG [13]. They have been certified according to the Forest Stewardship Council (FSC) scheme since 2007, and according to the Program for the

Endorsement of Forest Certification (PEFC) scheme since 2017. In addition to state forests, the SiDG joint forest management (FM) and chain of custody (CoC) certification group includes seven major private forest estates with a total area of 24,346.76 ha, 12 timber traders, 16 sawmills and 32 wood processing companies [14]. Private forests are included in the PEFC regional certification (RCG PEFC). It includes 1196 owners managing 292,722 ha of forests, which represents almost one-fourth of Slovenian forests [15].

In 2019, 2851 illegal activities were recorded for the forest sector on a total area of 577 ha: these figures are similar to those reported for 2018. In 2019, 111 illegal activities (3.9% of the total) were reported as occurring in the forest and forest area, which is slightly less than in 2018 (120). Illegal activities in 2019 were caused by agriculture (13.7 ha), mining (5.5 ha), and urbanization (3.4 ha), while illegal logging due to the building of infrastructure and other causes affected 0.6 ha each [9].

Slovenia has been implementing EUTR since 2013. Forestry inspection (i.e., the Inspectorate for Agriculture, Forestry, Hunting and Fishing [16]) is the responsible organization for carrying out checks on operators placing domestic timber on the market, while the Financial administration of the Republic of Slovenia is in charge for operators importing timber. Summary data on EUTR implementation in Slovenia (and Croatia) are presented in **Table 1**.

Table 1. EUTR implementation in Slovenia and Croatia.

	Slovenia	Croatia
Estimated no of operators trading in domestic timber	460,000	600,000
Estimated no of operators trading in foreign timber	1426	3589
Competent authority (CA)	Ministry of Agriculture, Forestry, and Food	Ministry of Agriculture and Ministry of Finance, Custom office
Annual plan of checks	1	0
Total number of checks on operators planned (domestic timber)	380	0
Total number of checks on operators planned (imported timber):	29	120
Total number of checks on operators undertaken (domestic timber)	611	0
Total number of checks on operators undertaken (imported timber):	29	104

	Slovenia	Croatia
Total number of checks on traders undertaken	177	1
Total number of penalties for domestic timber	n.a.	n.a.
Total number of penalties	n.a.	n.a.
Checks on MO	“Burea Veritas” on 29 March 2017	0
Particularly relevant trade partners	Bosnia and Herzegovina, Russia, Ukraine, Serbia	Bosnia and Herzegovina, Serbia, Ukraine
Substantiated concerns	16	0
Human resources (imported timber)	2 full time	3 (this work is performed in addition to other regular inspection work)
Human resources (domestic timber)	14 (this work is performed in addition to other regular inspection work)	1
Budget	n.a.	0
Number of operators who received assistance/training	60	1000

n.a., not available. Source: own elaborations from Slovenian and Croatia national reports on EUTR implementation [17][18].

3.2. Croatia

The total area of forests and forest land in Croatia amounts to 275,903,905 ha, equivalent to about 47% of the total national land area ([19], p. 452). State-owned forests represent 76% of all forests, while private forests the remaining 24% ([19], p. 449). According to estimates, there are about 600,000 private forest owners in Croatia. Management is carried out according to 10-year management plans, which are in place for about 70% of private forests [20] and all (100%) state-owned forests. In 2019, the total volume of forest wood assortments produced in Croatia was 13,995,000 m³ [21]. The wood sector is traditionally export-oriented [22] and accounts for about 8% of the total national foreign trade totaling about 1.1 billion EUR in 2019. The leading export market for Croatian products is Italy (21%), followed by Germany (13%), Slovenia (10%) and China (7%) ([23], pp. 17–22). As regards wood imports, the main partner countries for Croatia are Serbia and Bosnia and Herzegovina, followed by Albania, Kosovo and Montenegro [24].

All state forests in Croatia are managed by Public Enterprise Hrvatske šume Ltd. (Zagreb, Croatia) [25] and FSC certified since 2002 ([19], pp. 52–55). In addition to this, there are currently over 250 FSC CoC-certified wood

processing companies [26].

Recent documents and official data on illegal logging in Croatia are scarce. In 2020, the Report on Deforestation in the Republic of Croatia was submitted to the European Parliament by the Croatian non-government organization (NGO) VIDRA. The report accuses Hrvatske šume Ltd. Of performing excessive and illegal logging in Natura 2000 areas all over Croatia [27]. The European Parliament responded that “the responsibility for forests lies with the member states, and all forest-related decisions and policies in the EU must respect the principle of subsidiarity and member states’ competence in this field” [28].

Croatia has taken over its obligations for the implementation of EUTR from the date of joining the EU in 2013. However, the Law on implementation of the EUTR entered into force a couple of months before joining. The Ministry of Agriculture is the Competent Authority responsible for carrying out checks of operators, traders, and monitoring organizations [29]. The Ministry of Finance is also included in the process by providing data for checks. Between March 2015 and February 2017, Croatia did not plan or carry out checks on domestic timber, stating that 70% of the domestic forests are state-owned [18] ([30], p. 33).

3.3. Serbia

Serbia has 2,237,511 ha covered by forests which correspond to about 29% of the national land [31]. 57% of forests in Serbia are owned by private forest owners and 43% are state-owned. Private forests are small and fragmented, being owned by approximately 900,000 forest owners [32]; this would correspond to an average size for private forests of about 1.42 ha. State forests are managed by Public Enterprise Srbijašume, and Public Enterprise Vojvodina šume [33][34].

As of April 2021, there are three joint FSC FM-CoC certificates. PE Srbijašume holds two certificates [33] and PE Vojvodinašume holds 1 [35]. The total certified forest area corresponds to 94,809,721 ha. Moreover, a total number of 245 CoC certificates have been issued to companies engaged in wood processing, trade and paper production [14].

In 2020, 3,180,227 m³ of wood assortments were produced in Serbia ([36], p. 39). Wood imports grew by 7.2% since 2019 and total some 373 million United States dollars (USD). Total exports of the Serbian wood and wood furniture industry in 2020 equaled 548 million USD. Imports of softwood sawn timber amounted to 298,999 m³ worth 48.7 million USD ([37], pp. 6–8). Serbia exports wooden furniture to over 30 countries, the main importers being Romania, France, Germany, the Netherlands and Italy, followed by other Western Balkan countries such as Macedonia, Bosnia and Herzegovina and Montenegro ([38], p. 21).

In 2019, 26,678 m³ were illegally logged, while an additional 700 m³ were damaged by human activities ([36], p. 51) including theft of forest assortments, and other damage. Serbia has not yet started implementation of EUTR. In Serbia, as well as in other non-EU Western Balkan countries, EUTR preparations are proceeding slowly. Due diligence standards and systems are not well developed. Unregistered/illegal logging occurs in the country in some instances because of government corruption, administrative procedures needed for felling in private forests, and

weak connections between forestry and the wood processing industry. It seems that legality is not considered a priority in the wood processing industry and forestry, as “at present, there are no meetings among forest producers/companies in Serbia to discuss illegality risks” ([39], p. 7).

The PLAC project “Legal harmonization with FLEGT and EUTR—Demands, Needs and Consequences” produced recommendations for improvement of the Law on Forests to be in line with the EUTR Directive. In addition, this project recommended the preparation and adoption of specific legislation related to the timber trade, which should be in line with EUTR. This project also found that FLEGT Regulation is not transposed to national legislation. Currently, the Directorate for forests is engaged in the project Improvement of forest management in Serbia as a contribution to climate change adaptation and mitigation [40]. The specific objective of this project is “to strengthen capacities of the forestry sector in Serbia to be able to implement obligations stemming from EU standards and regulations in the field of forestry and forestry-related fields, including timber market, Forest Information System, subsidies, NATURA 2000 and bioeconomy” ([41], p. 3). The project should be finished by December 2022.

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