



Executive summary

Deep Dive 1: How corruption threatens the forests of Ukraine

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A summary of Working Paper 43: *How corruption threatens the forests of Ukraine: Typology and case studies on corruption and illegal logging*. This report is part of the Environmental Corruption Deep Dive Series, a multidisciplinary research project of the Green Corruption programme at the Basel Institute on Governance, funded by the Principality of Liechtenstein. The Basel Institute is working with the Ukrainian authorities to strengthen governance in the forest sector.

The Russian invasion is putting Ukraine's forests under unprecedented threat. The demand for wood in Ukraine has dramatically escalated since other energy sources have been destroyed. The Ministry of Environment estimates that 3 million hectares of forest (about a third of the total) have already been affected by the war, including by illegal logging in national parks and reserves occupied by the Russian forces. With a moratorium on inspections and limited oversight by civil society, illegal logging – already a major challenge before the war – is going unchecked.

Addressing illegal logging and improving forest governance are a strategic necessity for the reconstruction of Ukraine. Russian forces occupy the east and south of the territory, where most of the industry has been historically located. Industry in these areas and those at the near-front have been rendered ineffective. The Ukrainian Government needs to make the most of the resources available in the west and the north under its control. That is where forests are located. The sustainable management of these important natural resources is crucial for a solid recovery.

Corruption remains a serious problem in forest management. Ukraine has a long and complicated history of corruption. Significant progress has been made since the Revolution of Dignity in 2014: Government and civil society organisations have created anti-corruption institutions, anti-corruption legislation has been updated and tools have been created to detect corruption and improve transparency. However, corruption in Ukraine remains and affects multiple sectors, including forest management. Understanding how corruption fuels illegal logging is an essential starting point to strengthen governance mechanisms and ensure the sustainable management of forests.

Illegal logging by forest management officials could be stripping Ukraine of millions of cubic metres of timber every year. Thanks to corruptly obtained permits, much of the

wood can be “legally” exported to foreign markets, primarily in other European countries. Importing countries have a role to play in supporting integrity in this sector.

Specific patterns of corruption are entwined with the three main types of illegal logging:

- **For illegal logging carried out by private actors** (local communities or criminal groups), these are able to evade justice by corrupting law enforcement officials.
- **For illegal logging by forest management officials**, these can obtain false paperwork to fell trees by, for instance, having them declared as infected by pests or disease, or illegally fell trees without any permits. Corruption schemes here can involve both the bodies in charge of authorising fellings and those responsible for inspections.
- **Illegal conversion of forests** is linked to the illegal manipulation of land documents by corrupted officials, leading to the irreversible loss of forests for construction, infrastructure projects or agriculture.

There is an urgent need to strengthen control measures and authorities in the forestry sector. The existing control bodies either have low efficiency – which may be due to conflicts of interest, lack of political will, legislative restrictions or low wages – or are themselves subject to the influence of corruption. Both internal and external anti-corruption control measures could help, such as introducing compliance officers in state forestry enterprises and involving anti-corruption authorities in the investigation of corruption cases in this sector.

Forest management needs to be a high priority in the anti-corruption activities of Ukraine and its international partners. Despite having catastrophic consequences for the environment and the well-being of citizens, corruption related to the forestry sector still fails to appear high on the agenda. The problem deserves more attention from the Government of Ukraine, as well as international partners that are supporting the process of reconstruction and/or consuming wood and wood-based products from Ukraine.

Mitigating corruption related to illegal logging in Ukraine requires a systemic and inclusive approach from the national government, as well as Ukraine’s international partners.

Recommendations at the end of this report include:

- Reforming the forest management system to eliminate existing conflicts of interest, in particular, ensuring the independence of forest protection authorities from authorities engaged in wood harvesting and trade.
- Increasing the transparency of the forest industry.
- Ensuring adequate budgetary financing of forest management authorities.
- Reforming the system of environmental control by increasing the capacity of the State Environmental Inspection, as well as other law enforcement and control bodies.
- European Union authorities have a role to play in encouraging the Ukrainian government to implement the needed changes, for instance through specific conditions attached to the recovery programmes and platforms, as well as within the framework of Ukraine’s EU accession procedure. Recent changes in EU legislation designed to stop illegal timber entering EU markets and enhance corporate sustainability reporting could also be powerful tools in this regard.