



Research summary  
**CORRUPTION RISKS  
IN THE FORESTRY  
SECTOR IN UKRAINE**

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## RESEARCH SUMMARY

Experts from the National Agency on Corruption Prevention (NACP), together with the Specialized Environmental Prosecutor's Office of the Prosecutor General's Office, the Basel Institute on Governance and the World Wide Fund for Nature Ukraine (WWF-Ukraine), conducted a comprehensive analysis of corruption risks in the forestry sector. They identified the most widespread corruption risks and formulated recommendations for their minimisation/elimination.

### AS A RESULT, WE HAVE DRAWN THE FOLLOWING KEY CONCLUSIONS:



#### Lack of transparency in timber sales is a key obstacle to forest governance reform

Although timber trading is conducted on commodity exchanges, it does not meet the high standards of transparency and accountability that the Ukrainian government sets in other areas. The available data on timber sales from these platforms is insufficient to identify corruption risks, and this deprives the forestry sector of a key anti-corruption tool that is actively used in Ukraine – transparency. The existing platforms do not sufficiently prevent abuse and other violations in the sale of unprocessed timber and timber products. The lack of transparency also enables other corruption risks, such as manipulation of wood grade designations.



#### Excessive discretion and inadequate external controls create opportunities for corruption

Forest users who hold temporary but long-term rights to use forested areas are granted excessive discretion. This allows them to manipulate the volume of logging in the areas they control. Inadequate external controls allow such forest users to exceed the established logging limits, to conduct tree clearing and logging outside the land area licensed to them, or to carry out logging completely without logging permits.



## Current reforms have not resolved conflict of interest issues between institutions in the forestry sector

With the establishment of the state-owned enterprise Forests of Ukraine in 2023, significant progress was made in the reform of corporate governance. This reform initiated the process of separating regulatory functions (conservation) and business functions (extracting economic benefit) in the forestry sector. However, the earlier conflict of interest issues are not fully resolved as the reform of Forests of Ukraine and the State Agency of Forest Resources of Ukraine is not yet complete and requires attention. Existing mechanisms and norms still contribute to the presence of corruption risks due to the continued conflict of interest issues between these two institutions.



## Excessive formality of administrative processes in the forestry sector creates opportunities for corruption

The legislative framework regulating the forestry space still contains certain shortcomings, such as the lack of standardised rules/procedures for issuing forest permits (i.e. documents that allow logging, subject to certain conditions). This creates obstacles for effective control over logging processes, and enables conditions for corruption offences.

The last forest inventory was conducted as far back as 1996, resulting in significant gaps in the land registry. This makes planning and control of Ukraine's forest resources an exceptionally difficult task. The state land registry is largely devoid of information about forests, opening up opportunities for illicit manipulation of land permits for the use of forested areas.

The lack of predictable and transparent decision-making procedures for transferring forest plots to users for temporary but long-term use creates corruption risks. In the absence of proper external controls, authorities have the discretion to independently determine the procedures and criteria for transferring such plots for temporary long-term use.



## Restrictions on supervision and inspections imposed due to martial law weaken existing control mechanisms

Russia's full-scale invasion of Ukraine has created a number of challenges for the forestry sector, including significant forest destruction. The state-owned enterprise Forests of Ukraine equips and builds fortifications and performs other military tasks by supplying wood.

At the same time, martial law creates unique opportunities for abuse by actors seeking to profit from the war. As a result, the anti-corruption mechanisms established as part of the ongoing forest sector governance reform are not yet having the desired effect.

The ongoing moratorium on control measures enacted during martial law limits control by both state regulatory bodies and the public, making illegal logging and land manipulation less risky and thus more attractive.



## Large-scale sanitary logging creates opportunities for abuse

Sanitary felling in Ukraine is at an unusually high level. The administrative restrictions indicated above and the existing conflict of interest issues create space for manipulation of sanitary logging, paving the way for healthy trees to be cut down. The lack of clearly defined procedures and requirements for identifying unhealthy trees allows for manipulation of available information, contributing to the fact that sanitary felling is often carried out without proper justification.



## RECOMMENDATIONS FOR SOLVING THE ABOVE PROBLEMS:

### For the Ministry of Environmental Protection and Natural Resources of Ukraine:

**Develop and initiate amendments to the Forest Code of Ukraine in the following areas:**

- Improvements to the procedure for transferring state and municipal forest plots for temporary long-term use. This procedure should include a comprehensive list of documents and their contents required for the issuance of a permit.
- Conditions for providing forestry land plots to forest users on a competitive basis depending on the intended purposes, as well as delegation of authority to the Cabinet of Ministers of Ukraine to approve such a procedure.
- Definition of requirements for mandatory uploading of timber data to relevant state registers by all permanent forest users.

### For the Ministry of Environmental Protection and Natural Resources of Ukraine and the State Environmental Inspectorate of Ukraine:

**Finalise and submit for consideration by the Cabinet of Ministers of Ukraine amendments to the Resolution of the Cabinet of Ministers of Ukraine dated March 13, 2022 No. 303 “On termination of measures of state supervision (control) and state market supervision in conditions of martial law”, which should provide for:**

- The resumption of planned state environmental control activities.
- Unscheduled inspections in the field of forest protection, conservation, use and regeneration.

### For the Ministry of Environmental Protection and Natural Resources of Ukraine and the State Agency of Forest Resources of Ukraine:

- Ensure the development and submission to the Cabinet of Ministers of Ukraine of a draft amendment to the Resolution of the Cabinet of Ministers of Ukraine of July 27, 1995 No. 555 suggesting the modernisation and clarification of the rules for sanitary felling in the forests of Ukraine.
- Take measures to organise the development and approval of the instructions for the allocation and taxation of logging areas in forests, in order to establish uniform requirements for all forest users and forest owners regarding the allocation of forest areas for timber harvesting and their taxation.
- Develop and approve a regulatory act establishing the procedure for determining the price per cubic metre of wood.



Finally, Ukraine is a world leader in transparent procurement and sales of state assets. However, the well-known Prozorro.Sale system is not currently utilised for the sale of a crucial natural resource – timber. Ukrainian authorities would send a strong signal of their commitment to forestry reforms by selling timber through the Prozorro system. Although not currently required by law, such a step would facilitate reforms, generate trust and enable public scrutiny. Thus, it is an important prerequisite for overcoming systemic corruption risks in the forestry sector.



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