



EUROPEAN NEIGHBORHOOD
AND PARTNERSHIP INSTRUMENT
EAST COUNTRIES FOREST LAW
ENFORCEMENT AND GOVERNANCE
II PROGRAM



The Program is funded by the European Union and implemented by the World Bank in partnership with WWF and IUCN

www.enpi-fleg.org

Summary (Sergiy Sagal)

ANALYSIS OF UKRAINE'S FOREST SECTOR CAPACITY AND IDENTIFICATION OF OBSTACLES TO ITS INNOVATIVE DEVELOPMENT

The report analyzes the concepts of the state industrial policy in the woodworking sector development of the national economy. The results of a detailed study of the mechanisms of untreated wood sale are represented. There are statistical data collected, sorted and analyzed on the output of woodworking products and furniture both in monetary and non-monetary terms.

The analysis of operating conditions in the foreign economic activity in Ukraine and neighboring countries is presented. The data on exports and imports of wood products and furniture in physical and monetary terms are shown. Sales of woodworking products and furniture, their domestic consumption and the share of imports in domestic consumption are illustrated. Untreated timber exports and efficient use of forest resources in Ukraine are analyzed.

The analysis showed that Ukraine's forest sector has a great potential, which is not adequately utilized. This is due to imperfect legal framework regulating the sector operation. There is no a concept of industrial policy and an innovative development program. The timber sales mechanism fails to meet present-day requirements and needs immediate improvement.

There is insufficient impact on the sector of the state regulator, and there is no timely response and coordination between regulators of forest and woodworking markets.

Functions of the State Forest Resources Agency of Ukraine are inconsistent with antimonopoly principles.

Ukraine's woodworking sector is developed well enough as a whole and covers the basic needs of the national economy. However, lack of the necessary and effective mechanisms for internal market regulation hinders further development of the woodworking segment of the forest sector of Ukraine.

In view of the above, the Ukrainian woodworking segment requires urgent intervention to ensure significant improvement of the investment climate and business conditions, the internal market development, working out measures on finished products export support, untreated timber export reduction, sawmill production concentration, rational woodworking wastes use, expansion and improvement of the existing mechanisms for sale of untreated timber.

To fulfill the tasks, it has been suggested that a number of measures be implemented, in particular:

1. Work out and approve the concept of Ukraine's timber processing complex development.
2. Based on the concept, develop programs of Ukraine's woodworking segments investment development.
3. Under the auspices of the Ministry of Economic Development and Trade, establish a permanent interagency working group comprised of representatives from agencies, industry associations and researchers to develop and coordinate activities in

promoting and implementing the Timber Processing Complex Development Program. The primary task of this committee is to develop the concept of the State Forestry Resources Agency of Ukraine reform based on antimonopoly principles.

4. Develop and adopt a number of regulations on the timber market regulation to ensure transparent and fair conditions of timber purchase-and-sale.
5. Take a series of measures to support domestic woodworking enterprises.