



Forest Policy Report

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Issues of forest policy of Ukraine, that need to be addressed as they create problems for the development of forestry in Ukraine

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About the Project "Sustainable Forestry Implementation" (SFI)

The project "Technical Support to Forest Policy Development and National Forest Inventory Implementation" (SFI) is a project established within the framework of the Bilateral Cooperation Program (BCP) of the Federal Ministry of Food and Agriculture of Germany (BMEL) with the Ministry of Environment and Natural Resources of Ukraine (MENR). It is a continuation of activities started in the forest sector within the German-Ukrainian Agriculture Policy Dialogue (APD) forestry component.

The Project is implemented based on an agreement between GFA Group, the general authorized executor of BMEL, and SFRA since October 2021. On behalf of the GFA Group, the executing agencies - Unique land use GmbH and IAK Agrar Consulting GmbH - are in charge of the implementation jointly with SFRA. The project aims to support sustainable forest management planning in Ukraine and has a working focus on the results in the Forest Policy and National Forest Inventory.

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Section A. Problems of communication, terminology and concepts

1. The problem of discommunication with society, politicians, and authorities

In Ukraine, there is no unambiguous terminology and concepts related to forestry and timber production. This leads to significant miscommunication between foresters and timber producers and politicians, authorities and society.

Let me give you an example of a few concepts:

- the term "Forest" means an ecosystem, land and timber
- The term "tree" means a plant or wood.
- The term "deforestation" includes both logging and deforestation.
- There is no definition of "legal" or "illegal" timber in Ukraine.
- The term "forestry" refers to forestry as an industry and a forestry enterprise.

Therefore, I consider the definition of terms to be a priority issue in the development of the "forest policy" in order to discuss the essence of the "forest policy". Without unambiguity of terms and concepts that correspond to them, it will not be possible to discuss and implement modern forest policy in Ukraine.

I believe that the best option for introducing modern forestry terminology is to adapt Ukrainian terms to those of the UN FAO and introduce these terms into the current legislation of Ukraine.

The second major problem in forestry and timber production is the weakness of the country's existing platforms for discussion and decision-making. Supporting and developing such think tanks could contribute to better policy making.

The third problem is the lack of tools to implement the solutions developed by the existing discussion platforms into national legislation. The public is ineffective in advocating for its initiatives. Training NGOs and business associations in quality advocacy and policy development tools can have a positive impact on forest policy making in Ukraine.

2. What is forest policy and what is the current forest policy of Ukraine?

In continuation of point 1, there is no definition of the term "forest policy" in Ukraine, so everyone puts into this concept what they see fit. I will allow myself to define the term "forest policy" as a social contract on how we use the forests of Ukraine. In the following analysis, I will use this term in this sense. A good forest policy

should balance the economic, social and environmental needs of society with regard to forest use.

Ukraine's current forestry policy, which was formed under the pressure of negative public attitudes toward the work of foresters and woodworkers, is based on accusations of deforestation and the use of illegal wood.

And here we come back to point 1, what is a "forest". If "forest" is an ecosystem, then any economic activity in the forest harms the ecosystem, and timber harvesting destroys the ecosystem - therefore it is "deforestation" or "deforestation".

If a "forest" is a land plot with densely growing trees intended for harvesting timber and other forest resources, then harvesting timber in the forest will not be treated as deforestation (deforestation), but rather as a normal economic activity of foresters.

Therefore, one of the key issues that requires public discussion is the issue of forest policy, namely how Ukrainian society uses Ukrainian forests.

Without discussions with the public, under communication pressure from unclear terms and concepts, and without realizing the consequences of their decisions, Ukrainian parliamentarians and government officials have formed the following forest policy, which is unfriendly to forestry and timber production.

The current forestry policy of Ukraine is to preserve (conserve) forests (ecosystems) and reduce the use of forest resources (timber harvesting) as an activity that harms forests (ecosystems).

Such a policy directly contradicts Ukraine's economic, environmental and social interests, increases the burden on Ukraine's budget, and blocks investments in forestry, woodworking and furniture.

While the forest policy of most developed countries can be formulated as the efficient use of forests to meet the environmental, raw material and social needs of society.

And the goal of forestry as: **Sustainably maintain the health, biodiversity and productivity of forests to meet the timber and other forest resource needs of present and future generations.** (The word "productivity" refers to the amount of timber and other forest resources that can be harvested from a hectare of forest).

3. Conflict between the Forest Code of Ukraine and the Land Code of Ukraine

Given that the Forest Code and the Land Code use fundamentally different terminology, there are many contradictions and conflicts between the Forest Code and the Land Code. Many terms from the Forest Code do not appear in the Land Code at all, and the practical activities of forest accounting and the definition of forest cover are strictly tied to a specific land plot, as they are measured in units of area. It is good that in case of contradictions between the Land Code and the Forest Code, the interpretation of the Land Code according to Article 3.2 is preferred: all lands with forests are classified as "forestry lands". According to Article 55.1. of the Land Code, forestry lands include lands covered with forest vegetation, as well as lands not covered with forest vegetation, non-forest lands provided and used for forestry needs.

An example of such a conflict between the two codes is the problem of self-forested land. According to the Forestry Code, "self-forested" agricultural land should be considered "forest", belong to the "forest fund" (a term that has no practical use at all), and be protected by the state. From the point of view of the Land Code, this means agricultural land with woody weeds.

Without harmonization of the provisions of the Forest Code with the provisions of the Land Code, it is impossible to solve many problematic issues of forestry.

Let me put it more harshly - the Forest Code in its current version is a major problem for forestry in Ukraine, as it contains philosophical, terminological and practical contradictions with other Ukrainian legislation.

Strategically, it is necessary to start with changes to the Forest Code, and then move on to changes to other legislation that affects forestry relations. And the first step to improve the Forest Code is to introduce clear forestry terminology into this law.

4. Negative perception of foresters' work by society

The consequence of the uncertainty and ambiguity of the first three points of this section is the negative perception of foresters' work by the public, politicians, and authorities. And this problem has signs of a vicious circle. Due to incorrect communication, investments in public relations are wasted. As an example, I will mention the spring and autumn tree planting, in which the public is involved, the practical benefit of involving the public in tree planting is very low and foresters often have to redo the work in areas where trees were planted by citizens who simply do not understand how to plant trees correctly. However, the goal of the campaign should not be the number of trees planted by citizens, but a change

in the point of view of the citizens involved in the campaign. After participating in such an action, a person who had a negative attitude towards the work of a forester should return home as a forester's best friend, understanding his or her goals, tasks and peculiarities of daily work (see points 1, 2, 3). At the same time, no work is being done at all to change the point of view of citizens who participate in tree planting, which should be the goal of such campaigns - to change the point of view of the participant's forestry work. And it would be worthwhile to conduct a sociological survey of tree planting participants - at the beginning of the campaign and at the end - to assess its effectiveness in increasing the number of citizens friendly to the industry.

Section B. Close-to-nature forestry and the need for deregulation of forestry activities

Modern Ukrainian forestry is extremely overregulated by various regulatory documents of varying quality. Moreover, many of the existing regulations were created to fulfill outdated ideas and principles. Others are based on the dominance of environmental objectives over social or economic ones, whereas it is necessary to ensure a balance of social, environmental and economic objectives in forest management.

5. Lack of a strategy for forest adaptation to climate change

In Ukraine, we talk a lot about the role of forests in slowing down climate change, but we don't talk about the impact of climate change on forests at all.

Many aspects of climate change can affect the health, biological resilience and productivity of forests. Warmer temperatures typically increase the length of the growing season. This is likely to result in a shift in the geographic range of some tree species, the disappearance of some species in Ukraine's forests, and the emergence of new species to replace them. Climate change is likely to increase the risk of drought in many parts of Ukraine and the risk of heavy precipitation and flooding in others. Rising temperatures will change the seasonal availability of water in different regions of Ukraine. In addition, drought will increase the risk of fires and reduce the ability of trees to defend themselves against pests such as the bark beetle. On the other hand, with sufficient water and nutrients, an increase in atmospheric CO₂ may make some tree species more productive, which will affect the distribution of forest species composition from an economic point of view.

The country needs a long-term strategy for adapting forests to climate change, and communication about this strategy with society. The strategy should focus on the choice of tree species for future forests, forms of tree regeneration in the forest, and forestry technologies for today and tomorrow.

6. Misunderstanding of the principles of close-to-nature forestry

The answer to the threats posed by climate change can be a transition from the "Soviet" system of management to forestry close to nature, which requires a complete rethinking of the entire regulatory framework governing forestry in Ukraine. Let's take Lviv region as an example, where foresters in cooperation with

scientists from the local forestry university have implemented gradual felling of main-use trees and selective felling to change stands from single-age monoculture to multi-age and multi-species. However, current regulations block the widespread adoption of these technologies. Another example, planting material with a closed root system, which is grown at the Lviv Forestry Selection and Seed Center, has a higher survival rate, which means that fewer seedlings can be planted per hectare of forest, but again, we face regulatory restrictions.

We often do not understand what close-to-nature forestry is, neither among the professional community nor among the general public. After all, the transition to close-to-nature forestry requires more trust in the forester, who knows better how to manage the forest area entrusted to him, and a corresponding change in the legal framework for forestry. **I would even say that the idea of close-to-nature forestry is to adapt forestry methods to the specific ecosystem conditions of each forest plot, and this is possible only when the decision to implement this or that forestry measure is made at the lowest organizational level of the forestry structure.** (I should note that this correlates with the ideas of Yuriy Bolokhovets, the Head of the State Forestry Agency of Ukraine, that the main organizational unit of forestry in Ukraine should be the FOREST).

In Ukraine, forests are strictly divided by their functional purpose, as stated in the Forest Code. At the same time, the idea of close-to-nature forestry involves multifunctional use of forests. The development of this idea requires discussions and changes in legislation.

The development of regulations that will simplify forestry, taking into account the risks posed to forests by climate change, is an absolute priority today. Again, such changes require high-quality communication between the government and society, otherwise these initiatives risk being rejected.

7. Excessive environmental regulation of forestry, which actually hinders forestry activities, is a source of corruption risks and degrades forest quality

Unfortunately, the examples of lawmaking in Ukraine over the past decade show an increasing role of the state and growing regulation of all aspects of forestry. This over-regulation of forestry activities is a consequence of the distrust of foresters on the part of society and politicians. Among the laws and regulations that harm forestry activities and have a negative impact on forest quality, I would like to mention the following.

- "SANITATION RULES IN THE FORESTS OF UKRAINE" (as amended by the Resolution of the Cabinet of Ministers of Ukraine of October 26, 2016, No.756). In terms of goals, they do not prioritize localization of the spread of

forest diseases and pests, prevention of the transformation of potentially usable wood into damaged wood, do not trust the forester on the spot to quickly determine the need for sanitary measures, and provide for a complex and regulated procedure, the observance of which often leads to delayed sanitary measures in the forest. The emphasis is on removing damaged and dead wood from the forest, which is not always good from an environmental and economic point of view.

It needs to be defined that the objectives of forest sanitation measures are to localize the spread of forest diseases and pests as the first priority and to harvest commercial timber that is at risk of damage as the second priority. Good management involves efficient use of resources, simplification, and greater trust in the professional qualities of the on-site forester who has a better understanding of the current situation.

- Article 39 of the Law of Ukraine "On Wildlife" during the breeding season of wild animals, from April 1 to June 15, is now worded in a much better way than before and only prohibits "carrying out all types of felling of the main use and all types of felling of forest formation and rehabilitation in all forest areas belonging to reproduction areas in accordance with the arrangement of hunting grounds, highland forests, foothill forests, forests in ravines, gullies and river valleys, forest areas on the slopes of ravines, gullies, cliffs, scree and landslides, coastal protection areas, forest areas around the sources of rivers, along the border with treeless areas, forests in wet and damp forest vegetation types, within the territories of the nature reserve fund", but in its previous version managed to cause a lot of damage to the forests of Ukraine, as it created risks of inadequate response to diseases, fires, and pest breeding in these forests.
- The Law of Ukraine "On Environmental Impact Assessment (EIA)" (No. 2059 - VIII of 23.05.17). It requires an EIA for almost every tree felling, or for all felling during the year. In its current version, it actually allows for obstruction of forestry activities and creates corruption risks on this basis. It is advisable to introduce an environmental impact assessment exclusively for the planned 10-year basic forest management and exclude the need for it for any current forestry activities, especially for sanitary felling, which should be carried out as quickly as possible to localize threats to forests.

Section C. Taxes and financing

8. Tax policies that do not encourage the creation of sustainable, highly productive forests

Forestry enterprises are actually subject to double taxation by rent payments: the fee for special use of forest resources and the land tax. And neither of them stimulates high-quality forestry. Let's analyze these taxes in turn.

Rent for special use of forest resources

According to Article 256.1. of the Tax Code of Ukraine, "Payers of rent for special use of forest resources are forest users who carry out special use of forest resources on the basis of a special permit (logging ticket or forest ticket) or in accordance with the terms of a long-term temporary forest use agreement."

The rent for special use of forest resources is the most important tax payment of forestry enterprises, and to a large extent this tax is a vestige of the "Soviet" system of forest management. On the one hand, it is difficult to administer, as it requires the issuance of "logging tickets" - permits for timber harvesting, and this is practically the only purpose of these permits - to be the basis for calculating the tax. There is no similar system of taxation of forestry practically anywhere in the world, and changing the principles of collecting rent from forestry will allow:

- to abandon "logging tickets" and the bureaucratic procedure associated with their issuance, which will become unnecessary, as forestry enterprises can harvest timber within the framework of the 10-year forest management plan and in accordance with supply and demand on the market.
- will reduce the willingness of foresters to register most of the wood as "firewood" since under current laws firewood is subject to a lower tax for special use of forest resources. The combination of grading and taxes hinders trade.
- It will help to improve the quality and productivity of forests, as the current rent payment does not stimulate the development of highly productive and sustainable forests.

Land tax

In 2018, in accordance with the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Laws of Ukraine on Stimulating the Establishment and Operation of Family Farms" (entered into force on August 15, 2018), Ukraine effectively introduced double taxation of rent payments for forestry activities. Article 273.1. of the Tax Code reads as follows: "The tax for forestland consists of the land tax and the rent payment determined by the tax legislation." The tax rate

for forestlands is no more than 0.1 percent of their normative monetary value or no more than 0.1 percent of the normative monetary value of the arable land area in the region, if no normative monetary value was made.

The key disadvantage of the current land tax on forestland is that it does not take into account the economic cycle of forestry, which can reach 100 years, does not take into account the specifics of land use, for example, in the case of lands of the nature reserve fund, and does not stimulate the cultivation of sustainable and highly productive forest plantations.

Initiatives to improve the taxation system for forestry in Ukraine

As for improving the quality of taxation of forestry, I consider the initiative of Mr. Anatoliy Deyneka, head of the Lviv Regional Forestry and Hunting Department, to be the most interesting. Here is a quote from his article:

"It is proposed to introduce a single rent payment - the forest tax - instead of the above two taxes.

The object (base) of taxation is the area of forest land. They are exempt from taxation:

- *forest crops and areas of natural regeneration before they are converted to forested area;*
- *stands up to 40 years old;*
- *forests that are objects of the nature reserve fund.*

The tax rate is determined in UAH per 1 hectare of forestland. The tax rate is set as a percentage of the cost of an impersonalized cubic meter of timber sold. The cost of an impersonal cubic meter of wood sold is determined according to the data of the electronic timber accounting system (ETS), which records all wood sold on the market for each forestry enterprise.

The EHR system has both supporters and skeptics. I proceed from the fact that significant funds have been spent on the implementation of this system (UAH 36.0 million for the enterprises of the Lviv Regional Forestry and Hunting Department for the period from 2012 to 2019). I believe that the EHR system should be made a tool for collecting this tax. The system of electronic timber accounting should be enshrined in the current legislation of Ukraine and financed from the state budget.

An impersonalized cubic meter of timber sold allows to ensure the principle of fairness in the approach to taxation of forestry enterprises with different species composition.

The level of the tax rate in percentage terms is approved by the Law of Ukraine when adopting the state budget and should be affordable.

The forest tax is levied quarterly based on the cost of an impersonalized cubic meter of timber actually sold for the reporting quarter, determined on the basis of data from the EDI system.

The prerequisites for implementation and the advantages of the proposed model include:

- adoption by the Verkhovna Rada of Ukraine of the Law of Ukraine "On Amendments to the Forest Code of Ukraine on Conducting a National Forest Inventory";
- the adoption by the Verkhovna Rada of Ukraine of the Law of Ukraine "On the National Geospatial Data Infrastructure," according to which the state forest cadastre and the state cadastre of territories and objects of the nature reserve fund should be created within a year;
- information on the forestry fund, age structure of stands, and their protection category is contained in forest management materials;
- availability of all necessary quantitative and cost indicators for timber sales in the EOD system;
- the relationship between the tax burden and the timber market conditions (the higher the demand, the higher the cost per impersonal cubic meter of wood sold and the higher the amount of tax paid, and vice versa);
- there is an incentive to grow highly productive plantations, as the tax rate does not depend on the amount of wood grown and harvested per hectare;
- will curb unreasonable growth in timber prices, and I am convinced that woodworkers will like it.

The distribution of forest tax revenues between budgets of different levels should be fair. The author's practice as a deputy of the Lviv Regional Council convinces me that it is advisable to distribute the funds in equal parts to the following budgets:

- state;
- regional;
- local (UTC).

The funds that come to the regional budget should be used to finance regional forestry development programs, as is the case in Lviv region.

The transition to the proposed taxation model will allow for a comprehensive revision of forestry regulations, such as the abandonment of the need for classical allotments and taxation of the forestry fund, and the measurement of trees to be cut without subjective determination by eye of "business - semi-business - firewood".

It is clear that the archaic system of tax rates and forest tax belts will also disappear.

In our opinion, the proposed model of forest tax is simple, clear, easy to administer, fair for forestry enterprises in any region of Ukraine, given the diversity of forest vegetation and forest species composition, and sensitive to fluctuations in the timber market."

9. Financing of forestry activities

Forestry enterprises (forestries) finance their operations by more than 95% from the proceeds of timber sales. Revenues from other activities are insignificant and amount to less than 5%. This creates financial gaps between enterprises operating in highly productive forests and enterprises operating in low-productive forests, between enterprises operating in forests with insignificant ecosystem functions and enterprises operating in forests that primarily perform ecosystem functions. In addition, it should be noted that these financial gaps are also covered by timber sales, which leads to a distortion of timber costs.

To bridge these financial gaps, several options are being considered to finance forestry activities:

- Creation of a state fund for financing forestry activities.
- Separate assessment of eco-systemic services focused on the general welfare of society, which are provided by forestry enterprises to communities and receive funds from the budgets of the respective communities or the state budget.
- Generate additional income from the development of new activities. Which of them will be implemented, or perhaps all of them together, is a question that, in my opinion, still needs to be discussed.

Section D. Timber market, timber production and furniture

10. Modern timber market as an example of poverty economy

The current state policy on the timber market is to maximize income from forest ownership and sell timber at the highest possible price. Unfortunately, countries that use this approach to selling forest resources cannot boast of a developed processing industry, and are mostly raw material appendages of countries with a different strategy.

After all, it is hard to imagine an investor investing in production without knowing at what price and in what volume he will buy raw materials for the next quarter, or even better, for the next week. Experts call this the poverty economy, a model built on the dominant export of raw materials in exchange for imports of finished industrial products.

As you can see, Ukraine is consistently implementing a strategy of maximizing the price of raw materials, which makes us almost a net exporter of raw materials. And even if we take into account the ban on the export of wood in logs (round timber), which will be discussed in more detail below, I do not see a fundamental difference, since the export of raw materials in parallelepipeds (boards) is allowed, while the export of raw materials in cylinders (logs) is prohibited.

As for the ban on the export of freshly harvested logs, unfortunately, its lobbyists did not calculate the long-term consequences of this law. As a result of its implementation, forestry enterprises began to invest in wood processing and reduced investments in forestry technologies for forest care and harvesting. In general, this policy has slowed the growth of timber harvesting, which has been practically flat since the law came into effect. But there are opportunities to increase timber harvesting. It's enough to compare the performance of Poland and Ukraine.

Indicator	Ukraine	Poland	Commentary.
Forest area, thousand hectares	9 690	9 464,2	The area of forests is almost the same
Wood stock per hectare, cubic meters	235,29	287,88	Ukraine's timber stock is smaller, due to forest users other than the State Forestry Agency; the forests
			managed by the State Forestry Agency have a similar stock per hectare as in Poland. This indicates the quality of management.
The stock of wood on the roots is only million cubic meters.	2 280	2 730	See the comment above.
Timber reserves by key species, mln. cubic meters	Pine - 848 Oak - 542 Beech - 240 Spruce - 175 Alder - 103 Birch - 102 Other breeds -270	Pine – 1 524 Oak - 214 Beech - 191 Spruce - 174 Alder - 132 Birch - 156 Other breeds -339	The species structure of forests is very similar, with the exception of oak, which we have twice as much of, and pine, which is twice as much in Poland. That is why the economic potential of the forests of Ukraine and Poland is approximately the same.
Wood harvesting volumes, thousand cubic meters	17 826,2	39 674	Poland harvests 2.2 times more wood than Ukraine, which indicates a significant potential for growth in wood harvesting in Ukraine.

Thus, the law banning the export of unprocessed timber has effectively halted the growth of timber harvesting, which is now severely affected by the shortage of timber.

Of course, the law banning the export of unprocessed timber will cease to be effective in the near future, either as a result of pressure from the EU as it contradicts the principles of the Association Agreement with the EU, or it will simply expire, as the law is limited in time.

The question is what should be the policy for selling freshly harvested timber when the law banning the export of unprocessed timber is repealed. If the policy of maximizing the price of unprocessed timber remains, two scenarios are possible:

If the ban on raw wood exports is lifted at the price peak, we will face the possibility that foreign customers will be able to knock out Ukrainian timber producers, which carries the risk of destroying the national wood processing industry. And if the price bottom comes after that (and the timber market is quite volatile), this will pose a threat to Ukrainian forestry, as there will be no national client ready to buy timber immediately.

On the other hand, if the law banning the export of unprocessed timber is repealed at the price day, foresters will face problems selling timber, which will again make it possible to reduce harvesting volumes.

11. Strategy for maximizing wood processing in Ukraine.

Development of carpentry and furniture

Another strategy for timber sales is to promote the deepest possible processing of wood in Ukraine, manufacturing of the final product, and development of the market for wood products domestically and for export. In such countries, the dominant form of timber sales is long-term direct contracts lasting 3-5 years, or the priority right to conclude such contracts is given to local processors or companies that guarantee investments in local production. Another feature of this strategy is the attempt to reduce price volatility, which ensures the sustainability of both foresters and wood producers. Interestingly, this model of timber sales does not require protectionist laws such as the Law of Ukraine "On Peculiarities of State Regulation of Business Entities Related to the Sale and Export of Timber". After all, under long-term contracts, when the needs of the local processor are met, there is no problem for forestry enterprises to sell the remains of freshly harvested wood in logs for export. There will also be no need for forestry enterprises to develop wood processing, but rather to invest in technologies to increase harvesting volumes to meet the growing demand from woodworkers and furniture makers. And again, there will be no need to limit the volume of timber harvesting with unreasonable figures (here I am talking about the 25 million cubic meters from the aforementioned law on timber export restrictions).

And how do they sell wood in neighboring Poland?

On the website of the State Forests of Poland (Lasów Państwowych), we read the *italicized text* (with my comments):

In 2020, Lasy Państwowe plans to sell a total of 40.3 million m³ of wood (more than twice as much as in Ukraine), of which ***almost 34 million m³ is intended for***

processors. 80% of this offer is raw material for the so-called pool of processors with a history of purchases (in other words, a guaranteed volume for the national producer!!!), and **this wood will be offered on the forest and wood portal. The remaining 20% will be sold in the e-wood application available to all business entities.**

And such a policy in the forestry and timber sector of Poland's economy is yielding results. The forestry and timber sector of Poland's economy employs 2.5% of able-bodied Poles, who annually contribute 2.3% of the country's GDP. According to the results of 2018, Poland was the sixth largest producer and the third largest exporter of furniture in the world. Furniture exports bring Poland foreign currency in volumes comparable to those provided by the gas transportation pipeline to Ukraine. And while Ukraine's prospects for making money from gas transportation are unclear, the prospects for making money from furniture production are both clear and possible.

Now let's compare Ukraine and Poland in terms of wood products and furniture production.

Indicator	Ukraine	Poland	Commentary.
Wood harvesting volumes, thousand cubic meters	17 826,2	39 674	Poland harvests 2.2 times more wood than Ukraine, which indicates a significant potential for growth in wood harvesting in Ukraine.
Manufacture of wood products (NACE Group 16, 2010) mln. USD	1 343 (UAH 36,280 million)	7 379 (PLN 28,337.5 million)	Poland produces 5.5 times more wood products than Ukraine! These are mainly materials for furniture production.
Furniture production (NACE Group 31, 2010) mln. USD	743 (UAH 20 079 million)	10 894 (PLN 41 833 million)	Poland's furniture production is 14.5 times higher than in Ukraine!!! And this is directly related to the policy of selling raw wood.
Export of wood and wood products (under customs code 44) mln. USD	1 408	3 582	Ukraine's timber exports are significantly ahead of furniture exports and are the 9th largest export industry, while in Poland it is the 21st largest, as the furniture industry needs raw materials.
Import of wood and wood products (under	305	2 104	

customs code 44) mln. USD			
Export of furniture (customs code 94) mln. USD	750	14 394	Furniture exports are the 4 th largest export industry in Poland, while in Ukraine it is the 11 th largest industry,
Import of furniture (under customs code 94) mln. USD	428	4 108	Here I would like to note that Poland is actively re-exporting furniture. I think our exports already include furniture that we have previously exhibited.
Domestic market of wood and wood products)* mln. USD	240	5 901	
Domestic furniture market)*. mln. USD	421	608	

)* - calculated independently: production + imports - exports. Excluding trade margins of trade organizations.

12. Promotion of wood and wood products

Can we change our strategy from the former to the latter? Yes, and it is quite easy to do, we need to analyze the principles of timber trade in Austria, Germany and Poland and develop our own based on them. The goals of such a strategy should be to process wood as deeply as possible in Ukraine and create maximum added value from the sale of wood products - furniture, joinery, wooden building structures, etc. This strategy will result in investments, jobs, and taxes.

In this regard, it is important to increase the consumption of wood and wood products. First of all, wood is an aesthetic and easy-to-process renewable construction material that grows naturally in forests. On the other hand, wood stores carbon. The more wood products we use, the better we can slow down climate change. It sounds strange, but it is worth running a campaign on "How wood harvesting slows down climate change."

Therefore, one of the important issues that requires policy development is how to increase the consumption of wood and wood products in Ukraine.

One of the ideas that seems interesting to me is a state program to support the construction of wooden houses in Ukraine. After all, by supporting the solution of housing problems of Ukrainian citizens, we are launching investments in the entire forestry and timber cluster. Calculating the multiplier effect of such a program, I

am confident that 1 hryvnia of public investment will add tens of hryvnias of private investment and generate at least 2 hryvnias of taxes.

Supporting exports of wood products is another way to develop the country. Woodworking and furniture production can provide the country with foreign exchange earnings that are comparable to the current foreign exchange earnings from Ukraine's gas transportation system.

What needs to be done to make Ukraine a powerful consumer and producer of wood products:

- Identify investments in timber production (construction, furniture, carpentry) as a priority area of forestry and industrial policy. Key indicators are jobs created and GDP of the industry. Adopt regulations based on the promotion of these goals.
- Guarantee priority access to raw materials for Ukrainian timber producers. Smooth out the volatility of prices for freshly harvested timber with government instruments. Support investments in the production of timber end products (wooden houses, wooden containers, doors, windows, floors, furniture, paper, etc.) Guaranteed supply of raw materials is one such non-tariff method of motivating investment.
- Implement a promotional campaign for the use of wood and wood products (for example, replacing plastic packaging with paper packaging, for Christmas trees - buy real trees instead of artificial ones, windows, doors, furniture, houses, fuel). Emphasize that wood is a natural, ecological, renewable, carbon-retaining, aesthetic construction material. To connect wood and wood products with the work of foresters in the eyes of society.
- Launch the development of forestry and timber clusters through preferential lending for the construction of wooden houses by individuals.
- Develop and implement a program to promote the export of furniture and joinery as products with maximum added value.

Caveats to the proposed analysis

- This analysis is based on the assumption that state ownership of forest land in Ukraine is preserved and that no concessions are allowed.
- This analysis is based on the existing understanding of the state of Ukraine's forests and may require some correction based on the results of the forest inventory that is due to be conducted in the near future.
- This analysis is based on the assumption that economic, environmental and social needs of society are equal and that sustainable forestry and timber production tools can balance these interests.
- This analysis does not address the organization of economic processes in the forest, since the organizational structure of forestry in Ukraine is rather a tool for implementing forest policy and this is a matter for another analysis.