FINAL REPORT
ON
“IMPROVEMENT OF TIMBERFLOWCONTROLSYSTEM IN UKRAINE AND PREPARATIONS OFFINAL PROPOSALS FOR CHANGES IN THE NATIONAL LEGISLATION”

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1. Introduction

Analysis of law enforcement problems in the forest sector both in developed and developing countries shows the growing concern of society about illegal logging problems, including trade, transportation and processing of wood of illegal origin.

Accumulated international experience shows that effective combating of this negative phenomenon is possible where effective control over forest management is established; origin of wood that enters into circulation is identified; timber sales and wood processing are monitored; cooperation between public authorities, law enforcement agencies, designated business, environmental organizations and local communities is established to achieve sustainable forest management.

One of the objectives of the “European Neighborhood and Partnership Instrument (ENPI) East Countries Forest Law Enforcement and Governance (FLEG) II Program" is the development of timber tracking and tracing systems which could allow following the transformation process of wood during harvesting, processing, transportation, purchase, and sale on condition of its origin identification.

This report contains analysis of timber flow control system functioning; assessment of the effectiveness of the system elements in the forest sector of the country and proposals for its improvement and legislative background of the timber track and trace system in Ukraine. Proposals are prepared to meet the requirements of the EU about the legality of the wood origin and possibility of tracing, the country's course for deregulation and decentralization, to increase social responsibility of businesses and improve business environment.

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2. **IMPROVED MODEL OF TIMBER TRACK AND TRACE SYSTEM IN UKRAINE (STANDARDIZED TO THE EU REQUIREMENTS)**

2.1. Previous results of analysis of the legislation on track and trace system functioning

Analysis of the legislative norms and regulations of timber track and trace system formation in Ukraine indicates a lack of the unified state policy on timber flows control that could embrace all forest users and provide tracking of timber products at all stages - from the producer to the consumer in the domestic market.

Desire to strengthen the fight against illegal logging and timber turnover on the “black market” led to the emergence and implementation of two timber flow control systems. First one involves the issuance of a mandatory certificate of timber origin on the basis of documentary proof of wood purchase, thus preventing the illegal export of timber in the raw or processed form. The second is implemented through the total marking of logs, while providing Identification of timber (origin) and the transmission and control of information on various characteristics of wood until its transfer to the buyer.

The system for issuing timber origin certificates is more than enough legislatively regulated. At least six legislative acts establish the procedure of issuing the certificates. The goal of the certificate is to confirm the *legality of buying* timber and lumber. It is a mandatory document for exporting timber for all business entities and is issued to the exporter to be shown at the country border. To get the certificate, it is required to provide harvesting permit (for permanent forest users) and waybill (for all other business entities).

The weaknesses worth mentioning include: functional limitations of control over the volume of products directed to export only; inability to exclude the substitution or adulteration of wood of illegal origin; inconsistencies with EU requirements concerning verification of legality of timber origin; unclear legislation on applying of lumber output coefficients; requests of documents which are not covered by regulatory acts; imperfection of timber and lumber list export of which involves the issuance of the certificate of origin.

Unlike the certificates of timber origin, legislative and regulative principles of functioning of the unified state system of electronic accounting of wood (USSEAW) are unsatisfactory. Besides the Concept [1] and the two orders of government agencies [2, 3] there is no legal document which would regulatory normalize the introduction of this system on the national, rather than departmental level.

USSEAW provides for *individual* marking and keeping electronic records about the logs at all technological stages of processing and logistics; electronic accounting of registration,
transportation, inventory and selling of wood; creation of forest industry electronic registry; forming the system of verification of wood origin and electronic systems of interaction with law enforcement bodies.

However, implementation of the Concept has been gradually simplified to the creation of the internal forest sector system of automation management and accounting. Its functioning is unable to fully ensure the implementation of tasks envisaged by the Concept.

The Concept's weak point is that the buyer's activity in support of timber tracking identification is not legislatively regulated. After all, when the unprocessed log is received for processing, assortment data are depersonalized regardless of whether the information was in USSEAW or on a paper transportation permit or specification to it.

The issue about including in addition to public, permanent forest users to the system of timber flow control is still not solved, as well as the issue about the implementation of control mechanism by regulatory organizations and law enforcement bodies while transporting timber. In addition to legislative regulation there remains an important issue about financial support of the system in the context of its economic efficiency.

Imperfection of legislative regulation is expressed in the existence and development of two different systems. Their integration into a single system would help perform both the function of economic, accounting and control of wood of permanent forest users, and confirmation of the legality of timber origin.

2.2. Analysis of the adjustment of timber track and trace systems in some EU countries and the possibility of their adaptation to the forest sector of Ukraine

In order to better understand the proposals designed to improve the functioning of the timber flow control system in Ukraine, we considered it important once again to comment briefly on the existing international experience in this matter [4].

Before studying the timber track and trace systems in EU, the same systems of the tropical countries had been studied (Malaysia, Indonesia, the Republic of Guyana, Thailand, Lao People's Democratic Republic, Liberia and Brazil), which are known exporting wood countries.

In these countries, to support the effective functioning of timber tracking systems, human resources are mainly used, namely for: control of documents and the actual volume of transported wood; check the reported documents on incoming / outgoing timber production logs; activity on control points on the main sections of roads that are used to transport timber and other goods.

This approach is inherent in markets with no electronic tracking methods or with very low level of implementation. It should be noted that this experience is interesting for Ukraine
because of the presence of elements of the system in the past in our country and the presence of opinions of some experts about the need for eliminating the existing state system of electronic accounting of wood, which is corrupted and reduces the efficiency of business practices.

While studying the experience of the EU member states, the preference was given to those where the forest sector plays a significant role in the national economy and forestry has long experience and own traditions. For this purpose, two groups were identified with the old and new members of the united Europe. The first group includes Sweden and Austria, and the second - Poland and Romania.

Analysis of timber flow control in Sweden (association of nearly 50 timber companies) [5] and Austria (federal state company) [6] points to the existence of such common features as voluntary systems. Their implementation is due to the use of modern informational, technical and technological solutions to ensure objective monitoring of timber flow control, reduction of human labor in transactions accounting. It draws attention to the non-interference by inspections and state authorities and the involvement of independent experts to assess size-quality characteristics of wood, to confirm compliance with the contract of sale, etc.

The actual use of such systems is not aimed at combating illegal logging, but it is a part of the business decisions of public and private timber companies to improve the management system, increase economic efficiency, expand information software of the systems to support management decisions, increase transparency and openness in business, and thus confirm their social responsibility.

Surprisingly, the new EU countries such as Romania and Poland, where the majority of forests are state owned, still have a problem of illegal logging, the higher risks of corruption and enforcement needs constant reinforcement. Thus, for them the introduction of mandatory systems that are supported by public authorities is logical.

These are the countries which by their institutional characteristics are the closest ones to Ukraine. Each of them has its own unique experience that could be useful for Ukraine. Both countries, despite the presence of traditional systems of timber flow control, have introduced electronic system to monitor the flow of wood. In Poland it is "State Forests Informational System" (SILP), and in Romania - informational system "SUMAL".

Polish system (SILP) is a software complex which serves as a business tool integrating all information flows including issues of accounting, control and reporting of the State Forests Holding. It is important that information basis of the systems are the materials of forest management, forest inventory regulations, maps, etc. So electronic accounting of wood is only a part of the total system covering all aspects of economic and financial-economic activity [7].

Thus, the timber flow control realized by SILP system takes place during timber harvesting and shipping to the buyer. It provides for individual labeling of logs, including information about its size-quality performance in a laptop and its transfer to the central server. All
transactions with labeled timber are registered in the system. Thus the system covers only the first section of the supply chain. This system section is similar to that which had been implemented in Ukraine as USSEAW.

Introduction of SILP, which started in 1997, resulted in significant impact on the forestry arrangement and the entire forestry sector as a whole.

Firstly, computerization of all processes in the forestry has improved work arrangement by reducing costs and therefore improving productivity. Improvement in the arrangement and management of the holding through, in particular, SILP introduction has reduced the number of employees by 32% and simultaneously increased timber harvesting volume by 37%.

Secondly, access of the scientific, educational institutions and non-governmental organizations to the system served as a testimony to the openness and transparency of the State Forests Holding and as a result ensures increased confidence in the forestry sector as a whole.

Thirdly, effective functioning of the system in the State Forests Holding allowed distribution of it to other regular users (national nature parks, nature reserves) and private owners. Harvested timber is tagged by holding foresters, information on marked products is stored in the system, and forest owner receives a document on the harvested timber legality.

Attention is drawn to the similarities in misstep of Poland and Ukraine that have been made in introducing electronic timber registration. The main mistakes included failure to take into account management system inertia, lack of employees' motivation to obtain new knowledge and skills in the use of information technology, lack of technical means to ensure efficient operation.

Useful for Ukraine is the approach where electronic timber accountings are key component but only one of the elements of the general information and management decisions support system. Accordingly, it is necessary to consider the transformation of the unified state system for state timber record keeping into the information system of the forest sector which would include subsystems such as cutting areas allocation and material and monetary valuation, forest mapping, wood sale at the electronic trading, etc.

In Romania information system SUMAL which is a tool for tracking timber from the place of its harvesting to the consumer (processing company, dealer warehouse, place of goods delivery to the importer, etc.) in real time through the use of a unique documents numbering system and work with the state database [8, 9] is functioning. The system started working in 2008 and became fully operational and compulsory in 2014 [10, 11].

The central element of the system is timber tracking during transportation. Timber shipping takes place after information about it is entered into the database from a mobile device and on condition of presence of steam alpha-numeric electronic codes, one of which is generated on the device, and the other one is loaded from the system via the Internet. The validity of the codes is limited in time, but is sufficient to deliver cargo to the destination. Their presence is mandatory, and lack of it is a sign of transported timber illegality. These
codes are linked to the information about planned harvesting volume of timber and the unique number of permission for logging. The felling permit number recorded in the transportation document allows for automatic reconciliation of size-quality and other characteristics of wood in the timber processing and its supply, which prevents the sale of timber from another harvesting place. Information which comes into the system from wood processing and other companies allows analyzing the lumber market.

Timber origin legality can be verified both by regulatory authorities, inspectors - using specialized software, and the public - by requesting information on the vehicle transporting wood by the number 112.

The advantage of the system includes the ability to control timber transportation in online mode. However, unlike the Polish SILP system which includes identification of each individual assortment, timber consignment serves as the system control unit. Despite the short period of its operation there are strengths of the system.

First, the experts noted that the introduction of the system results in a significant reduction of illegal timber transportation. However, they pointed out that enforcement system requires further strengthening.

Secondly, part of the general statistical data accumulated in the system is open to the public which will contribute to its promotion and increase in confidence in the forestry sector.

Thirdly, there is possibility for controlling wood transportation by both law enforcement agencies and ordinary citizens.

Fourthly, the system was used as the basis for government decisions on the implementation of EU Timber Regulation 995/2010. Thus, timber tracking and proving its origin legality are possible through entering information on all movements and transactions. This greatly facilitates due diligence system setup.

For Ukraine, the use of such a system to meet the requirements of Article 294 of the Association Agreement between the EU and Ukraine and the Law of Ukraine "On peculiarities of state regulation of business entities associated with the sale and export of timber production" to confirm the legality of timber origin along all supply chains - from producer to consumer is recommended.

In the context of improving the USSEAW in Ukraine we offered the State Forest Resources Agency of Ukraine to use the experience of the Polish system and complement existing national system with material and monetary evaluation of logging fund and automatic issue of harvesting permit.

Taking into account increasing social activity in Ukraine and low confidence of society in the forest industry— it is reasonable to use the experience of Romania in the implementation of the service with on-line registration of shipping timber and control its transportation over time.
2.3. Improved model of timber track and trace in Ukraine

While developing the model of timber track and trace, we took into account previous developments on this issue. In particular, the work of FLEG Program expert from the World Bank – Vitaly Storozhuk [14] deserves special attention. He prepared proposals for the normalization and regulation of legality of timber origin and its production. The draft law defines the legality norms of timber origin for permanent forest users and guarantees of timber legality for the processors formed a system of measures to ensure the legality of timber origin, proposed state system of registration of purchase and sale contracts, provided state control over the norms of legality of timber origin.

Thus in selecting the final model, we were guided by certain state course on deregulation, reducing state presence in the economy, business facilitation and so on. Thus, the model of timber track and trace system in Ukraine is offered to be built on the basis of USSEAW complementing it with additional elements for the following three phases:

The first - to develop and put into effect an informational software complex that forms a single register of certificates on the origin of timber for export - electronic timber declaration (January 2016). We actually mean the modernization of the process of issuing timber origin certificates.

The second – to develop and implement software control module of the raw wood transportation in real time (January 2017). As already noted, the content of this software module is considered to be similar to the system SUMAL, which has been successfully implemented in Romania.

The third - to extend the effect of electronic register of certificates on the origin of timber sold on the domestic market (January 2019) for all forest users. At the final stage, it is expected that all trade and transport operations with timber both in processed and unprocessed form will be subject to electronic registration. As a result, it will help to form the system for control and release the information about the balance of production and consumption of wood in the country and is also aimed not only at improving the fight against illegal logging, but also the possibility of improving the system of management, logistics, improving economic efficiency, expanding information provision and transparency of public and private timber companies and thus confirming their social responsibility.

While working on this project task, we have studied modernization of the system issuing timber origin certificates, which makes it possible not only to improve the fight against illegal logging, but also reduce the risks of corruption during the declaration of legality of timber origin. Thus the implementation of the first stage involves the transition from the issuance of timber origin certificates to the electronic declaration of timber origin allocated for export. Electronic declaration means entering information on the transfer of timber transport batch from the buyer to the seller to the data bank. This ensures that the connection between information in the field about timber harvesting (identification –
harvesting permit) and information about the timber batch (in the round or processed form) that are exported.

Here, it should be noted that other timber groups specified in the EU Regulation are subject to the electronic declaring, except raw wood and lumber. Thus, we are achieving another goal, which is to promote national timber production; electronic declaring involves blocking exports of unprocessed timber, which is intended for processing on the domestic market.

Here we consider in more details the essence of the proposed changes for improving the existing model:

1. Unprocessed wood and lumber are automatically checked against the volumes and size-quality characteristics of wood obtained after logging.
2. Importer receives the tool for the confirmation of the timber origin, access to the information on compliance with applicable laws and the possibility of inspections. The declarant feeds information into the system and is responsible for its accuracy, which eliminates the possibility of interference by the third parties in the issuance of timber origin certificates.
3. Several methods of information transfer about the origin of timber production from raw materials to finished products, taking into account standard yields have been proposed. Standard yields should be approved by the interdepartmental commission.
4. The business entity receives the right to declare other than the established rates of yield. The transaction exceeding the yield standards are the operations with possibly unreliable information.
5. Importer, regulatory and law enforcement authorities receive information about economic entities that are likely to contribute allegedly false information to the system.

Principles of improving the model of timber track and trace system in Ukraine (first stage) is shown in Figure 1 in the form of info graphics. On the basis of this info graphics, the draft thematic booklet on the proposed national timber track and trace system with steps explaining how it will work, and how it will influence the "business as usual" scenario for the key stakeholders was developed. This template can be circulated in case of implementation of the proposed changes at the state level.

It is expected that the electronic declaring will be free of charge for the users.

The proposed model is in compliance with the requirements of Article 294 of the Association Agreement between Ukraine and the EU to facilitate legitimate trade of forest production. Regulation of the European Parliament and of the Council of the European Union on 20.10.2010 № 995/2010. "On the obligations of operators placing timber and timber products on the market" (the EU Regulation) [16] legislatively regulates the principle of legality of forest production through implementing the due diligence system that prevents ingress of timber with illegal origin to supply chains of EU.
Electronic timber declaration are record, storage and processing data about origin of logging wood and its transformation to the final products for all chain-of-custody. In the beginning, the location of harvesting (at logging area or FMUs level) are wanted.

Permanent forest users are obliged to put the information into the information system software about each timber batch and sale contracts of unprocessed wood.

Registration of information about delivery of timber batch from seller to buyer would provide a link between wood obtained in logging area (harvesting permit - identification) and exported timber (unprocessed or processed).

Electronic declaration would not be registered for unprocessed wood, which is designed for domestic market. Companies that process of wood should enter data into the system use conversion coefficient.

Records about likelihood of making false data send to control and law enforcement bodies. Exporter based on the request of the importer must send you confirmation of declaration confirmation to verify the origin of timber batch. Importer has the right to submit a request for compliance of applicable legislation by exporter, his contractors for all chain-of-custody till permanent forest users.

Fig.1. Principles of improving the model of timber trace and trace system in Ukraine (first stage)
Benefits and features of the proposed model of timber track and trace system opposed to the existing mechanism for issuing certificates of timber origin are:

• serves as a tool to meet the requirements of the EU Regulation on wood;
• prevents ingress to the supply chain of illegal wood through the registration of waybills of the known origin;
• blocks export of raw wood abroad, which is intended for use in the domestic market;
• minimizes government intervention and the emergence of corruption risks;
• cancels rule requiring the filing of a number of documents and obtaining a certificate of timber origin in hard copy;
• introduces a rule on electronic declaration of timber origin.
• increases the responsibility of all participants of timber market;
• promotes transparency and openness of the forest sector, and thus increases confidence of the importers;
• provides for a transition from licensing to declarative system, which in itself contributes to more responsible attitude to business culture;
• differentiates notes, electronic records based on the risk of entering false data;
• introduces a mechanism for checking by the second and a third party, which is one of the essential elements of the requirements of the EU Regulation on wood.

In the absence of internationally recognized term of "illegal logging", The European Union is relying on the law of the country where logging is carried out, called the applicable legislation on logging, because illegal timber is considered to be such timber that was harvested in violation of national laws.

On the basis of EU Regulation and FSC directives on controlled wood (FSC-DIR-40-005), a list of regulations that constitute an applicable legislation has been generated, the documents that prove their implementation have been determined, the method for assessing the compliance of applicable legislation has been proposed, proposals to facilitate the collection of information and evaluation by the importer (operator) or his/her authorized representative have been made.

Proposals of amendments and additions to the legislation for implementing the first stage of improving the timber track and trace system to meet the requirements of the EU are described in Section 2.
3. PROPOSALS FOR CHANGES IN THE LEGISLATION TO IMPROVE THE EXISTING TIMBER TRACK AND TRACE SYSTEM

The first proposals envisaged amending the Law of Ukraine "On peculiarities of state regulation of business entities associated with the sale and export of timber production" in the wording of 16.10.2012. The goal of the proposals was to introduce the electronic declaring instead of issuing certificates of timber origin.

However, with the adoption of the Law of Ukraine "On peculiarities of state regulation of business entities associated with the sale and export of timber production" [15] about temporary ban on timber exports in raw form 325-VIII of 04.09.2015 caused the need to review the proposals in the context of new legislative norms, according to which a certificate of origin should be issue to permanent timber forest users.

The conducted analysis and discussion about possible implementation of this rule means intervention of one entity (forestry enterprise) in the other's activity (wood processing company) contrary to the fundamental principles of the market economy and functioning of economic entities. Thus, there is a need for cancellation of such standards or providing additional (control) powers to the forestry enterprises contrary to the state course on the deregulation of economy.

Further discussions and consultations with representatives of the State Agency of forest resources and stakeholders led to the development of the final proposals to postpone enforcement of Article 3 of the Law of Ukraine "On Amendments to the Law of Ukraine" "On peculiarities of state regulation of business entities associated with the implementation and export timber " as for temporary ban on logs export" and transition to the electronic declaration of origin of forest production, as proposed in the original version.

Detailed project proposals in the form of amendments to the Law of Ukraine "On peculiarities of state regulation of business entities associated with the sale and export of timber production" of Draft Resolution of the Cabinet Ministers of Ukraine are given in Annex 1.

Proposals were submitted to the State Forest Resources Agency of Ukraine for the further use when implementing a number of tasks to reform the forest industry in the country.
4. INFORMATION ABOUT THE IMPLEMENTATION OF A PROJECT TASK

Offers were made and discussed at the round table on June 16 and July 21, 2015 and the seminar on July 22, 2015.

The results of round tables discussions and seminars (presentations and proposals) can be found on the official webpage of the national program "ENPI East FLEG II" via the following links:

http://www.fleg.org.ua/news/1047 (round table discussion "Improvement of legislative support of timber flow control system : proposals and discussion" (first round));
http://www.fleg.org.ua/news/1104 (round table discussion "Improvement of legislative support of timber flow control system : proposals and discussion" (second round));
http://www.fleg.org.ua/news/1111 (seminar on the topic "Forest certification and due diligence system as a tool to provision the Association Agreement between Ukraine and the EU").

The video broadcast of a roundtable discussion that took place on June 16, 2015 (first round) can be accessed via the link at: http://youtu.be/Jd1b-OuURLI and http://youtu.be/iqrcQzzP6iM

See video broadcast of a roundtable discussion of July 21 (second round) and the seminar on July 22, 2015 (which consists of three parts) at:
ANNEX 1: PROPOSALS FOR AMENDMENTS IN LEGISLATION CONCERNING ELECTRONIC DECLARATION OF TIMBER ORIGIN

Law of Ukraine

"On amendments and additions to the Law of Ukraine “On peculiarities of state regulation of business entities associated with the sale and export of timber production”

Present the preamble in the following wording:

"This law determines a special legal regime for export and sale of forest products and goods produced from it meeting the requirements of Article 294 of the Association Agreement between Ukraine and the EU."

Article 1 shall read as follows:

Article 1. Definitions.

In this Law, the following terms shall have the following meanings:

Timber and products made from it - goods which, according to the Ukrainian Classification of Goods for Foreign Economic Activity (UKT ZED), meet the following groups and codes of products: 44 in the group "Wood and goods of wood; charcoal": 4401; 4403; 4406; 4407; 4408; 4409; 4410; 4411; 4412; 44130000; 441400; 4415; 44160000; 4418; Group 47 "Pulp of wood or of other fibrous cellulosic material; paper or paperboard waste and scrap"; Group 48 "paper and paperboard; goods of paper pulp, paper or paperboard"; in group 94 "Furniture; bedding, mattresses, foundations for mattresses, cushions and similar stuffed furniture items, lamps and lighting fittings, not elsewhere specified; illuminated signs, panels and the like; prefabricated buildings": 940330; 940340; 94035000; 940360; 94039030; 94060020.

valuable and rare trees – false acacia, wild service tree, cherry, pear, walnut, chestnut, yew berry, forest cherry, sycamore, juniper."

Article 2 shall read as follows:

"Article 2. Prohibition of exports of timber and products made from the valuable and rare tree species.

Transportation of timber and products made from the valuable and rare tree species across the border of Ukraine is prohibited."

Article 3 of the Law shall read as follows:

"Article 3. Electronic declaration of the timber origin and products made from it.

Sale of timber and products made from it, except as provided in the Article 2, by business entities will be allowed after the electronic declaration of timber origin."
“The procedure of electronic declaration of forest production origin is being approved by the Cabinet of Ministers of Ukraine.

Responsibility for electronic declaration of forest products origin shall be borne by a business entity that carries export.

Customs clearance of timber is possible after submission of electronic declaration to a single register of declarations of timber origin and products made from it”.

Decree of Cabinet Ministers of Ukraine
"On approval of electronic declaration of timber origin"

According to Article 3 of the Law of Ukraine "On peculiarities of state regulation of business entities associated with the sale and export of timber production" the Cabinet of Ministers decrees:

1. The procedure of electronic declaration of timber origin and products made of it for export, attached.
2. The State Forest Resources Agency of Ukraine together with the State Customs Service of Ukraine should develop and introduce the informational software complex and form a single register of declarations of timber origin and products made of it, prepare guidelines within six months.
3. To declare that the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Temporary issuance of timber origin certificates and lumber made of it for export transactions" of 21.12.2005 #1260 invalid.
4. Regulation will enter into force on January 1, 2016.

Prime Minister of Ukraine
A. Yatsenyuk
The Procedure
for electronic declaration of timber origin

1. In this Procedure, the following terms will have the following meanings:
Applicable legislation - the current legislation of Ukraine which covers the following aspects: the right to pursue logging within legal rights; fees and timber harvesting rights including taxes on logging; logging under forest and environmental legislation including forest management and biodiversity conservation in cases directly related to timber harvesting; the rights of third parties concerning the use of forest resources and property that may be related to timber harvesting; trade and customs relations in the forestry sector.
Origin identifier - unique series, number and date of issuance of harvesting permit, number of area, name of the forestry, permanent forest user or the forest owner.
Contractor - a business entity that supplies forest production to the exporter.
2. This Procedure defines the mechanism for electronic declaring of timber origin and products made of it (further - declaration) for export transactions.
3. This Procedure applies to all businesses entities regardless of ownership that are engaged in exports of timber and products made of it (further - exporters) and their contractors.
4. Electronic declaration is compulsory when exporting timber and products made of it.
5. Electronic declaration is submitted per timber batch and batch of products made of it, issued as one accompanying document.
6. Electronic declaring, together with access to software informational complex for forming the single register of declarations of timber origin and products made of it is free of charge.
7. Permanent forest users and forest owners that sells timber and make products of it to exporters or their contractors should place the information on volumes, size-quality characteristics of each shipped batch, origin and log structure logging in software information systems to form a single register of declarations of timber origin and products made of it (further - Register) on the basis of issued harvesting permits, commodity or rail-transport permits for transportation of timber and products made of it and contracts on the sales of unprocessed wood.
8. When registering the contracts on the sales of unprocessed wood, permanent forest users and forest owners shall specify primary market of consumption (domestic or
international). Contracts on the sale of unprocessed timber signed according to the Regulation on the organization and conduction auctions of raw wood trading, approved by the State Forestry Committee of 19.02.2007 #42 are considered to be the contracts where domestic market is the primary market.

9. Exporters and their contractors have the access to only a part of the registry associated with buying the timber or products made of it and origin identifier.

10. Exporter or his/her contractor that sell timber production that has been processed enter information in the register on the basis of yields standards. Yields standards are approved by the interdepartmental commission composed of one representatives from the Ministry of Economy of Ukraine, Ministry of Agrarian Policy of Ukraine, State Forestry Agency of Ukraine, State Customs Service of Ukraine, Chamber of Commerce and Industry of Ukraine, each wood processing Associations, wood processing and furniture enterprises of Ukraine registered according to the established procedure, universities of the III-IV level of accreditation that train specialists in the field of "wood processing technology".

11. Exporter and contractor are required to store information about the origin of each timber batch received and transfer it to the correct batch of timber and products made from it subject to sale. Transfer of information about origin is implemented using one of three methods.

11.1. The first- transfer, identifier of the purchased timber batch origin and of products made of it (incoming timber) is directly transferred to the batch timber and products made of it to be sold (source timber) without assuming physical mixing with timber from other batches with regard to standards of yield.

11.2. Second, percentage - two or more identifiers of input timber origin are transferred to output lumber showing the percentage contribution of each input identifier. This method only provides for the physical mixing of incoming timber whose origin identifiers are listed in the output lumber with regard to yields standards.

11.3. Third, balance - two or more identifiers of input timber origin are transferred to the output timber without specifying the percentage of each input identifier. This method provides for the physical mixing of incoming timber whose origin identifiers are listed in the output timber with regard to yields standards.

11.4. Transfer and percentage methods are applicable to all groups of timber and products made of it. For timber and lumber the (code 4407) is mandatory.

11.5. Balance method can be applied to all groups of timber and wood products except for raw wood and lumber (code 4407). In its use, the exporter or the contractor choose the level of detailing wood origin identifier.

12. While entering information about the rates of production yield, which exceeds the regulatory ones, software-information complex generates a record of the likelihood of entering false data. This record is an integral part of forest origin identifier.
13. Records of the likelihood of entering false data into the register are sent to regulatory and law enforcement agencies for use in their activities.

14. Adding information about outgoing batch of forest products to the register by exporter and confirmation of its registration means submission of electronic declarations. For wood in raw form registration is possible in case of verification of the contract on the sale of unprocessed wood intended for international consumption market.

15. Exporter on the basis of the request from the operator or importer must send confirmation of declaration registration to verify the origin of timber batch.

16. Importer or his/her authorized representative has the right to submit a request for compliance with applicable laws by exporter or his/her contractor, permanent forest users or forest owners. More information about compliance with applicable legislation may be obtained upon request to the State Forest Resources Agency of Ukraine and other central executive authorities, scientific and educational institutions, NGOs, etc.

17. Importer or his/her authorized representative has the right to verify submitted information by exporter or his/her contractor, permanent forest users or forest owner on compliance with applicable legislation. Checking does not include providing the data that contain confidential, secret and proprietary information.
4. Electronic declaration would not be registered for unprocessed wood which is designed for domestic market. Companies that process wood should enter data into the system using conversion coefficients.

5. Records about the possibility of entering incorrect data are sent to control and law enforcement bodies. Exporter based on the request of the importer must send him confirmation of registration of declaration to verify the origin of timber batch. Importer has the right to submit a request for compliance with applicable legislation by exporter, his contractors for all chain-of-custody to permanent forest users.
1. Electronic timber declaration includes recording, storage and processing data about origin of logged wood and its transformation to the final product for all chain-of-custody. In the beginning the location of harvesting (at logging area or FMUs level) is wanted.

2. Permanent forest users are obliged to put the information into the information system software about each timber batch and sale contracts of unprocessed wood.

3. Registration of information about delivery of timber batch from seller to buyer would provide a link between wood obtained at logging areas (identifier – harvesting permit) and exported timber (unprocessed or processed).
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About FLEG II (ENPI East) Program

The Forest Law Enforcement and Governance (FLEG) II European Neighborhood and Partnership Instrument (ENPI) East Countries Program supports participating countries’ forest governance. At the regional level, the Program aims to implement the 2005 St. Petersburg FLEG Ministerial Declaration and support countries to commit to a time-bound action plan; at the national level the Program will review or revise forest sector policies and legal and administrative structures; and improve knowledge of and support for sustainable forest management and good forest governance in the participating countries, and at the sub-national (local) level the Program will test and demonstrate best practices for sustainable forest management and the feasibility of improved forest governance practices at the field-level on a pilot basis. Participating countries include Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, and Ukraine. The Program is funded by the European Union.

http://www.enpi-fleg.org

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WWF is one of the world’s largest and most respected independent conservation organizations, with almost 5 million supporters and a global network active in over 100 countries. WWF’s mission is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by conserving the world’s biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.
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