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## Russian Federation

### Solid Wood Products

### Update on Forestry Code Hearings

### 2006

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**Report Highlights:**

The second hearing of the new Forest code at the State Duma has been postponed until fall 2006. According to trade sources, recent government resolutions to amend the current Forest Code have caused confusion and misunderstanding in the regions, brought uncertainties to the sector, and prevent sustainable development.

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## Executive Summary

The second hearing by the State Duma on the draft of the new forestry code has been postponed until Fall 2006. The delay has nearly paralyzed the Russian forestry sector, preventing its targeted reform. According to trade sources, recent government resolutions issued to amend the current Forest Code have caused confusion and misunderstanding in the regions, and brought uncertainties to the sector.

## Chronology of events

**January 22, 1997** - The State Duma adopted the current Russian forest code.

**March 18, 2004** - The Cabinet Ministers of the Russian Federation approved the new draft of the forest code.

**April 2005** - The new draft passed the first reading in the Duma. The second hearing has been postponed since March 2006.

**July 28, 2006** – President Putin signed Resolution #154-FZ, amending the current code. This resolution establishes rules for rent of forestry plots for geological study, research and mining natural resources, construction projects, reconstruction of electrical power transmission lines and communication lines.

**Current situation** – The State Duma is adjourned for summer break until September. Nearly all draft amendments (submitted between April 2005 and April 2006) have been reviewed, but it is unclear which amendments will be adopted or discarded by the Russian government

## New Introductions to the Code

According to the Head of the Federal Forestry Agency Valeriy Roshchupkin, the following are new introductions to current forestry code:

- Lease time up to 49 years;
- Reforestation requirements (timber contractors will be required to re-forest their rented lands);
- Splitting of national forest management into 40-50 "eco-regions";
- Expanded use of auctions and other policy tools for harvesting timber stands;
- Government's willingness to provide infrastructure support for timber projects at around \$200 million;
- About 80 new regulations would be passed as part of the forest code;
- Foreigners and other foreign legal entities will not have limitations for leasing forest plots, and the minimum lease period is 10 years.

## Issues under debate

According to the Chairwoman of the Natural Resources Committee at the State Duma, Natalia Komarova, there are a number of issues currently under debate. One involves the limits that should be established on the parcel size for long-term lease of government-owned forestlands. The main concern discussed at the State Duma is the possibility of local monopolies by large timber companies. Currently, estimates are conducted by applying different criteria of parcel sizes and calculating their economic efficiency.

Also, there are discussions about possible delays in the implementation of the forest code due to the publication of the Resolution signed by President Putin on December 31, 2005, transferring responsibilities of forest resource management from the Federal Center to the regional level, beginning in 2007. The new Resolution removes the right of forest management in the regions from the Federal Government. However, since forests continue to be federal property, the Federal Agency for Forestry will not be abolished, but will oversee and supervise the fulfillment of the law. The current code foresees assignment of all managerial functions, including forest preservation and use to the regional level. Some regions are fully supportive of the change while others are reluctant. The concerns of many regional administrations are budget constraints. Only ten out of a 30-percent allowable cut is currently exploited in Russia, as massive forestlands are not accessible due to poor infrastructure, lack of forest roads and investment.

Chairwoman Komarova also confirmed that along with the basic forest code there are other legislative acts and resolutions to be discussed in the forestry field, such as forest management and a separate resolution on special protected natural areas. However, due to the poor rule-making process in Russia, it is unlikely that any major regulations except for the code will be drafted in the near future.