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FOOD AND AGRICULTURE ORGANIZATION
European Forestry Commission

JOINT FAO/ECE WORKING PARTY ON FOREST ECONOMICS AND STATISTICS
Twenty-third session

**European Forest Sector Outlook Studies (EFSOS):
progress report, plans for the next two years**

(Item 2 of the Provisional Agenda)

Note by the secretariat

This paper presents the progress in EFSOS activities since the Working Party's last session and the current status of objectives, approaches and requirements for further EFSOS activities.

The Working Party is invited to:

- review and comment on the proposed plans;
- approve the draft outlines for the base line study; and
- endorse the work plan for 2001/2002.

1. Progress report on EFSOS activities since the Working Party's last session

1. Since the Working Party's last session in May 1999 the secretariat made substantial progress in the EFSOS programme. The secretariat co-ordinated the elaboration of baseline study methodologies and explored opportunities of using advanced analysis models. It made first steps in the field of complementary studies and spent a rather significant part of EFSOS resources for searching additional funds and the creation of a website. The latter aims to improve public relations and outlook information exchange. Nevertheless the project is behind the work plan proposed by the core group meeting last year. Because of limited Timber Section resources the base line study is about half a year behind schedule. Also, there have been no activities on the "Ex-post analysis of the forest sector" during the year 2000.
2. A significant part of Timber Section manpower resources, being planned for EFSOS, has been spent for reporting to the Timber Committee / European Forestry Commission and their bureaux meetings, notably to the strategic review of TC/EFC programme of work. These activities are of special importance for the prioritisation of the EFSOS programme among the other TC/EFC work areas and for the allocation of Timber Section resources to EFSOS.
3. As a result in 2000 roughly 7 % of Timber Section resources (about 23 weeks professional + 7 weeks technical manpower) and 4.000 US \$ of ECE/FAO travel and consultant funds have been spent for EFSOS. Another 20.000 US\$, which come mainly from FAO budget, have been allocated in December 2000. This amount is being spent now on the elaboration of base line study methods and input data and the case study about the future development in the Russian forest sector. The EFSOS fund raising activities have led so far to a contribution of nearly 7.000 US\$ from the Swiss government for the EFSOS web site.
4. According to the strategic review of the ECE/FAO integrated work programme, EFSOS resources will increase up to 11 % of Timber Section manpower resources (about 46 weeks) in 2001. It should be noted that this is subject to approval by the Timber Committee in October. The planned budget amounts to 25.000 US\$ from ECE/FAO travel and consultant funds.
5. In 2000 the secretariat used the available EFSOS resources only partly on activities, which are oriented on substantial outcomes (e.g. the base line study). A significant part of resources has been spent on long-term oriented activities, such as fund raising and PR. The latter slowed the progress of getting outcomes (reports, publications) in a shorter term, but it aims for the establishment of a medium- or long-term programme with enlarged resources, based on additional outside funds.

2. Results of EFSOS meeting of outlook specialists and national correspondents in March 2001

6. The Core group meeting reviewed the EFSOS activities in 2000/February 2001. It discussed and agreed on the course of the further work. The meeting contributed to improving information exchange about outlook activities in the framework of EFSOS and besides it, which enriched the EFSOS programme and provide synergy effects.
7. 30 specialists, of whom 6 have been nominated as national correspondents, representing the interests of their countries officially, attended the meeting. The participants represented a broad variety of forest sector stakeholders: national governments, intergovernmental organisations, private industry and consultancies and researchers.
8. The meeting discussed about all EFSOS tasks and activities in detail. The detailed report is available at the Timber Section EFSOS website¹
9. The secretariat would like to inform the Working Party about some particular topics and to request approval of the suggestions of the EFSOS March meeting on:
 - outlines for the base line study (Annex 1); and
 - meta-study on scenarios with major impacts on the European forest sector (Annex 2).
10. Working Party is invited to approve the draft outlines for the base line study and the concept of the policy meta-study.

¹ <http://www.unece.org/trade/timber/efsos/>

3. Work Plan 2001/2002

11. Working Party is invited to endorse the following Work Plan for 2001/2002. It is a summary of the Medium-term Programme of Work made by the secretariat and agreed by the EFSOS Core group meeting in March 2001. The Medium-term Programme of Work is posted on the EFSOS website.
12. The base line study (ETTS VI) will be the main subject of EFSOS activities. The goal is to publish the study by end 2002. It proposed to contribute the results to the Ministerial Conference on the Protection of Forest in Europe in summer 2003.
13. The base line study (ETTS VI) will include a base line scenario “business as usual” for the development of forest resources and the wood processing industry considering the current influence from the exiting framework. Sensitivity analysis will explain the impact from changes of model settings (indicators).
14. As a part of the base line study the meta-study defines the scenarios with possible major impacts on the forest sector. The policy scenarios are considered as a major part of ETTS VI, which meets a high interest by the EFSOS target groups. The scenarios will be described as much as possible in a quantitative way. As resources and the deadline (end 2002) allow the outcomes of the meta-study will provide an input for running special alternative scenarios, using the approaches (ETTS V and EFISCEN) which are described above.
15. Considering this demand for the next two years the secretariat can only spend less than 10 percent of the available EFSOS man-power resources on long-term oriented investments with the goal to enlarge the EFSOS resources significantly (such as fund raising and drafting of project proposals).
16. There is an urgent need in additional resources for work on the ex-post analysis of the forest sector (see chapter 3 of the draft outlines). The secretariat requested the support of the EFSOS specialists and the national correspondents.

Annex 1

Outline for the base line study (ETTS VI) – Draft structure and estimated number of pages

		pages
1.	Introduction	15
1.1	Objectives and target groups of ETTS VI	2
1.2	Methodology (system analytical approach, study scopes, forest sector parameters and indicators, base line study, scenarios, linkages between the outlook on forest resources and timber production and trade)	4
1.3	Comparison of trends in the 1990s with the scenarios of ETTS V	10
2	The policy and economic framework of the forest sector (ex-post analysis of the and expectations for the future)	50
2.1	General economic and demographic background (demographic outlook, economic growth, construction)	8
2.2	Specific external policies (with impacts on the European forest sector, e.g. trade liberalisation, recycling, energy use)	12
2.3	Competition and substitution from other sectors	8
2.4	Policies for the forest sector (non-market benefits, nature-oriented forestry management, forest fires etc.)	8
2.5	Interrelations with external factors (e.g. climate change, storm damages)	5
2.6	Specifics in countries in transition	8
3	The European forest and forest products sector (historical analysis of significant changes of main parameters and discussion of driving forces)	45
3.1	Forest resources (non-market benefits, nature-oriented forestry management, plantations, certification, forest fires etc.)	6
3.2	Roundwood supply	6
3.3	Production, trade and consumption of main forest products (based on FAO statistics, concentration, globalisation, technology innovations, recycling, certification)	7

3.4	Production, trade and consumption of other products (wood-processing residues, waste paper (secondary fibre), wood energy, waste wood)	5
3.5	European net trade in forest products (trade tariffs and non-tariff trade barriers)	6
3.6	Specifics in countries in transition (crash of demand, privatisation etc., recovery base on market oriented policy framework)	7
3.7	Co-operation between forestry and forest product industry	4
3.8	The European forest sector in the mid 1990s (a synthesis)	5
4	The base line scenario	12
		0
4.1	The outlook for European forest resources and roundwood supply	40
4.1.1	Methods (EFISCEN) and input data	8
4.1.2	Forest resources (by area, tree species, age classes)	15
4.1.3	Potential roundwood supply (by assortments, harvesting types etc.)	15
4.1.4	Discussion of results	2
4.2	Outlook on timber production, trade and consumption	57
4.2.1	Methods and input data	12
4.2.2	Global demand and supply of forest products (main and others, scenarios for European net trade)	8
4.2.3	Production, trade and consumption of main forest products (FAO statistics)	15
4.2.4	Production, trade and consumption of other products (Wood-processing residues, Waste paper (secondary fibre), Wood energy, Waste wood)	10
4.2.5	Specifics in countries in transition	10
4.2.6	Discussion of results	2
4.3	Outlook for the European Forest Sector	20
4.3.1	Sustainability of the forest and forest products sector in Europe (linking the chapter 4.1 and 4.2)	

4.3.2	Discussion of a results of a sensitivity analysis over the whole sector	
4.3.3	Examination of GFPM/GTM projections against the ETTS results	
5	Discussion of scenarios with major impacts on the European forest sector (to be defined by a special meta-study)	40
5.1	General economic and demographic developments (e.g. medium growth in western Europe, high growth rates in Eastern European countries)	
5.2	Specific external policies (e.g. forestry land-use in the light of changes in agricultural policy in Europe or global trade liberalisation and consequences for the European forest sector or promotion of energy generation from wood)	
5.3	Competition and substitution processes from and in other sectors (e.g. competitiveness of European timber products in the frame of increasing globalisation)	
5.4	Policies for the forest sector (e.g. increasing demand for non-market benefits, protection of forests or consequences of international and European agreements in forestry (UNFF/MCPFE) for the development of the European forest sector)	
5.5	Interrelations with external factors (e.g. climate change and its influence on forest resources and their functions)	
5.6	Specifics in countries in transition (e.g. economical stabilisation in countries in transition, restitution of forest land to private owners, influences to European timber markets)	
6	Alternative outlook scenarios (to be defined by a special meta-study)	20
7	Conclusions	10
7.1	Approach	2
7.2	Methods and data	3
7.3	Outcomes (impacts to policy making processes)	3
	Annexes	
	Tables with figures for the development of forest resources and removals	50
	Tables with figures for the development of forest products production, trade and consumption	50

Annex 2

Meta-Study on Scenarios with Major Impacts on the European Forest Sector

1. The secretariat elaborated, in close co-operation with Mr. Franz Schmithüsen (ETH Zürich), a draft project proposal.
2. The objective of the meta-study is a definition of scenarios with major impacts on the European forest sector parameters, evaluating the probability of their occurrence. The study identify the subjects for further specific scenario analyses and define the quantitative impact which could be modelled in the framework of the forest products and the forest resource models.
3. The EFSOS meeting in March 2001 supported the proposal. The Swiss government offered to contribute to this analysis with funds.
4. A group of policy experts has been created for running the meta-study on scenarios with major impacts on the European forest sector. According to the suggestion of Franz Schmithüsen (University ETH Zürich) Carsten Thoroë has been requested (Federal Research Centre BFH Hamburg) to lead this group.
5. The outcome of this study will be a part of the base line study (chapter 5 of the draft outlines) and will have an impact on possible alternative scenario runs with the forest resources and the market model.
6. Considering the deadline for the base line study and the time, which is necessary to run complementary scenarios on the forest resources (with EFISECN) and on the development of timber markets (with the market model) the outcomes of this policy study should be available end 2001.