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ECONOMIC COMMISSION FOR EUROPE  
Timber Committee

FOOD AND AGRICULTURE ORGANIZATION  
European Forestry Commission

## **JOINT FAO/ECE WORKING PARTY ON FOREST ECONOMICS AND STATISTICS**

Twenty-fourth session

to be held in the Palais des Nations, Geneva  
8 – 10 April 2002, starting at 10.00 hrs on Monday, 8 April

### Item 4 of the Provisional Agenda

#### **Guidance of work area 3: European Forest Sector Outlook Studies (EFSOS)**

#### **A. INTRODUCTION**

1. The secretariat re-launched the joint ECE/FAO outlook study activities in 1999. During two meetings of EFSOS national correspondents and outlook study specialist (Team of Specialists - ToS) in 2000 and in 2001, the work programme and the overall project approach were agreed. EFSOS was highly evaluated during the strategic review of the Integrated Programme of Work (IPW), where it got a strong support and was considered as a core element of the IPW. The Joint FAO/ECE Working Party on Forest Economics and Statistics reviewed the EFSOS project during its twenty-third session in 2001, putting an emphasis on quality of the baseline study and its timely presentation to the Ministerial Conference in 2003.

2. The ToS recommended changing the title of the ECE/FAO outlook activities from European Timber Trend Studies (ETTS) to European Forest Sector Outlook Studies, considering the increasing importance of social and environmental benefits from forestry and wood use. The main objective of the project is to analyse the future possible developments of the forest and forest industry sector in Europe, including CIS, considering challenges and uncertainties of varying policies, market developments and the influence of exogenous factors (e.g. climate change). The outcomes should assist policy and investment decision-making. The main target groups are policy makers, entrepreneurs and the academic community of the forest and forest products sector as well as the public in general.

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3. The first step into the EFSOS programme is a baseline study report (the successor of ETTSV), consisting of historical analysis of driving forces, base line scenarios (“business as usual”) on forest resources and forest products markets and alternative policy scenarios. The baseline study components are at different stages of elaboration. The secretariat was put a special emphasis on the policy orientation of the EFSOS project. Further, a first complementary case study was launched under the title “Outlook Study on the Forest Sector of the Russian Federation”. The first drafts are expected to be discussed during the EFSOS meeting 27-29 May 2002 in Geneva.

4. According to the Integrated Programme of Work, EFSOS resources will correspond to 11 % of Timber Section manpower resources (about 46 professional and technical manpower weeks) in 2002. The planned budget amounts to roughly 20.000 US\$ from ECE/FAO travel and consultant funds. Most of the limited ECE/FAO budgets are used to contract high-level specialists and to go to EFSOS related meetings. These resources are not sufficient for running an international project as EFSOS was suggested to run now.

5. EFSOS is now a complex project. The ToS and the Working Party recognised that combining the knowledge, skills and capacities of a large group of forest sector outlook study experts is essential for the success of EFSOS both in terms of quality and keeping deadlines. The secretariat has therefore undertaken various steps in order to build up an EFSOS information network and to enlarge resources.

6. The main components of this network are the officially nominated national correspondents (21 countries have nominated thus far their national correspondents). Further, many specialists come to the various EFSOS meetings and contribute their knowledge and skills without getting paid for this effort.

7. Additional funds have been raised since 2000. The main donations are governments: Finland, The Netherlands, Switzerland, and UK contributed with financial funds to the project. FAO increased the contributions for EFSOS at the end of 2001, significantly both for consultants and web page editing. The secretariat is searching for Junior Professional Officers (JPO) and Interns thereby enlarging the EFSOS resources. In 2001, these additional resources shared about 50 % of the overall EFSOS manpower resources and about 80 % of the EFSOS regular budgets.

8. Fund raising activities are time consuming and influence therefore the secretariat resources, directly spent on EFSOS elaborations and slow down the progress of getting outcomes (reports, publications) in a shorter term. The secretariat is still convinced that effort to find additional outside funds and manpower resources is needed to establish a permanent outlook study work area.

**B. ACTIVITIES BETWEEN MAY 2001 AND SPRING 2002**

(numbering corresponds to the Integrated Programme of Work, 2001 – 2005, approved by the twenty-third session of the working party)

**3.1 Outlook for European forest products markets**

9. The secretariat focussed the activities on the former (ETTS V) approach, using an econometric model for analysing production, trade and consumption of main forest products. The secretariat contracted a senior professional as a supervisor in this field. He updated a methodology report to be published in the Discussion Paper series. The report is not published yet, because of limited resources for final editing. Based on a contribution by the Finnish government, an econometrician expert is working on the model application. The model and first estimations of elasticities were reviewed during a working meeting in January 2002. This expert works in Geneva as from the beginning of March to produce the baseline scenario results and 2-3 alternative quantitative scenarios.

10. The secretariat in co-operation with ILO are working on an additional chapter dealing with an outlook on labour resources, employment and social issues in the forest sector. One goal is a forecast of labour resources used in the forest sector. This forecast is expected to elaborate based on labour elasticities, provided by ILO and the base line scenario model results as well as alternative scenarios (see 3.5). The labour elasticities are expected by the end of March 2002 and a short report by mid-May.

11. The secretariat contracted a consultant from Poland to elaborate long-term GDP forecast for all European Countries. The study now terminated, is based on reliable assumptions and planned to be published in the Discussion Paper series and later used in the base line study report.

**3.2 Outlook for European forest resources**

12. According to the suggestions by the ToS, the secretariat organised a co-operation with the European Forestry Institute in order to use the EFISCEN age class simulation model to describe the development of forest resources and contracted a significant part of EFSOS funds. A methodology report was elaborated to be published in the Discussion Paper series. The report is not published yet, because of limited resources for final editing. Further, an inquiry was sent out to all European countries, including Byelorussia, Moldova, Russia, and Ukraine with the goal to update the EFISCEN input dataset, using the TBFRA 2000 terminology and definitions. 15 countries provided new inventory data in the requested structure for the EFISCEN model. This work was supported with additional funds by the Netherlands and the UK. Because of a lack of resources, the first draft baseline scenario and 2-3 alternative scenarios are expected by mid-May 2002 only.

### 3.3 **Analysis of long-term historical driving forces**

13. The activities here are focused on an analysis of driving forces in the past, in order to use the outcomes from this exercise for the outlook study work.

14. In close co-operation with Work Area 2 "TBFRA", the secretariat contracted an expert from Stichting Bos en Hout (SBH), Netherlands for the historical analysis forest resources and driving forces, who is currently supported by an intern. An inquiry was prepared and initially sent out to a few countries. The goal is to make the time series for the main parameters (forest area, growing stock and increment), sourced from ECE/FAO Forest Resource Assessments and ETTS Analysis, consistent over time, as a base for a further policy analysis of the improved long-term forest resource database. The first draft is expected by beginning of May-2002.

15. A very first contribution was made by Work Area 1 "Market and Statistics" with a presentation on the long-term developments of production, trade, and consumption of forest products. The secretariat contracted an expert from Norway to work on the historical analysis of forest product markets, who is supported by an intern. The main source here is the Timber Statistical database and the International Financial Statistics (IFS) of the International Monetary Fund. The goal is to identify major changes in production, trade and consumption of forest products and to explain the policy and market forces causing these developments. The first draft is expected by beginning of May 2002.

### 3.4 **Complementary case studies on particular policy scenarios and sub-regions**

16. As a first step the secretariat requested the representative of the Russian Federation to the Timber Committee to elaborate, together with the Russian EFSOS national correspondents, a Russian forest sector outlook study as an EFSOS case study. The secretariat supported this work with regular funds. The work started in the end of 2000. The results were presented during an expert meeting December 2001 in Moscow. The Russian version is now being reviewed by the secretariat. The English version will be presented to the EFSOS meeting end May 2002.

### 3.5 **Policy scenarios analysis**

17. The secretariat started to work on a "Study on scenarios with major impacts on the European forest and forest industry sector" as a part of the baseline study report. The goal of this study is to find out major policy and market scenarios and to verify the quantitative impact on main forest sector parameters over the next decades. The government of Switzerland funded the project. Two inquiries were carried out. A meeting with national correspondents and EFSOS specialists, representing the stakeholders of the forest sector in European ECE countries and international organisations, was organised beginning December 2001. A draft report is expected to be finalised by end April 2002. A follow-up workshop in June or September should clarify

how the results of this study could be applied in order to strengthen the international forest sector policy dialogs in the ECE region, what kind of forest sector policy activities should be undertaken on the international and national level.

### 3.6. **Information network, public relations of EFSOS, fund raising**

18. In the framework of the policy study, an intensive literature search was carried out. This paper could be published separately in the Discussion Paper series. For various sources of outlook related researches the secretariat put links on the EFSOS web page.

19. The secretariat noted that there is still a high demand for the ETTS V results and that the results could be presented to the outside more intensively. The secretariat is therefore now preparing the publication of the ETTS V main report and the related Discussion Papers on the Internet.

20. For end 2002 / beginning 2003, the secretariat plans to publish a brochure about the EFSOS outcomes. The EFSOS outcomes will be also presented to the intergovernmental organisations, European associations and research community.

21. The EFSOS web page was up-dated. Now it is translated into Russian and French. The pages in these languages will be published soon. Because of some advanced features (multi-languages, direct access to inquiries via the Internet and automatic update of analysing tools etc.) the secretariat moved with the EFSOS web pages from UNOG servers in ICC, first to a private enterprise, and now to FAO HQ server in order to save money and to benefit from FAO web page editing resources, recognising at the same time the more limited framework of a unified FAO layout.

22. There is permanent need in more database management and Internet editing capacities, in particular for a new EFSOS user survey, a more efficient EFSOS data management and a permanent update of EFSOS information and outcomes on the Internet.

23. The secretariat is continuously working on fund raising activities, proposing currently a new project proposal to work on after the baseline study report is finished (2002-2003, see point 3). In light of that the secretariat is increasingly faced with additional workload to provide UNECE facilities for hired or loaned consultants (office space, computers etc.).

### **C. POINTS FOR DISCUSSION/APPROVAL**

24. The Working Party is requested to comment on the EFSOS report under point A and B, and provide guidance on the objectives, methods and timetable proposed.

25. The Working Party's attention is drawn in particular to the following topics:

a) **External policy influences on the sector**

26. The draft results of "Study on scenarios with major impacts on the European forest and forest industry sector" give an indication about scenarios, which are expected to have a significant impact on the main forest sector parameters (forest resources, production, trade and consumption of forest products). The study shows that future development in forestry and forestry industry sectors depend significantly on the policy and economic progress in Eastern European countries. At the same time, the study shows the importance of "external" policy areas (agriculture, energy, rural development, environment, etc.). Forest sector policy strategies should therefore draw the attention of other policy areas to forestry problems and also to strengths and challenges from forestry land-use and timber products application.

27. The Working Party is invited to discuss and comment on these preliminary results (will be provided to the meeting directly). It might also consider how best to communicate this analysis to policy makers in the sectors concerned.

28. The secretariat plans a workshop in an Eastern European country (Prague or Moscow) to discuss how the outcomes of the policy study, in context with the cross-sectoral opportunities within UNECE, could be used for strengthening the European forest sector policy dialogue. The workshop is planned to be held in the period between the MCPFE expert level meetings (June or September 2002).

29. The Working Party is requested to comment on these plans and to give further guidance on how to proceed with the use of the EFSOS policy study results.

30. Complementary study of the outlook for the forest sector in Eastern Europe and consequences for the forest sector in ECE region

31. The draft results of "Study on scenarios with major impacts on the European forest and forest industry sector" show that the stabilisation of market policy framework in Eastern European countries could have significant impacts on the development of the European forest sector in general. Further, the timber statistics show a notable increase of forest products exports of Eastern European countries, in particular from CIS. Traditional trade flows to and from Western Europe are changing. At the same time domestic consumption in the transition countries is developing only slowly. Despite increasing incomes from exports, investments are insufficient. In this context, the secretariat prepared a project proposal to run a special study, with the goal to analyse the current developments in trade of forest products, to evaluate the economic potentials and describe more specifically complementary scenarios, analysing possible

consequences of different choices for the countries themselves, their customers and their competitors. (the proposal itself will be provided to the meeting directly)

32. The Working Party is requested to consider whether a special complementary study on the developments in Eastern Europe and the possible consequences for the European forest sector in general would be worthwhile and, if so, how it might be financed.

**b) Timing, resources, synergies**

33. After a phase of organising the co-operation with various specialists and organisation, it is now time to synthesise the outcomes into the baseline study report.

34. Most demanding, in the sense of keeping the deadlines, is the baseline scenario on forest resources. For a number of reasons, notably resource constraints and problems encountered by co-operation partners in keeping their agreed timetables, delays are not impossible. In light of that, the deadlines for first draft baseline scenarios are now changed from end March to mid-May 2002, considering that the final baseline study report should be useful in preparation for the 2003 Vienna Ministerial Conference. The EFSOS project as a whole, is therefore now on a critical schedule. In case of further delays, the secretariat would either require additional resources or face trade-offs between scope/quality and timeliness. If the priority is given to meet the deadlines, various options could be considered for limiting the scope/quality of the baseline study (for instance using another simpler model, using the ETTS V forecasts and updating them in co-operation with the national correspondents, etc.).

35. The secretariat requests the Working Party to recognise the current status of work and to note the described problems in keeping the deadlines. The Working Party is asked to discuss and suggest alternative options or solutions.

36. The secretariat recognises the importance of exploiting synergies between the EFSOS work area and the other work areas of the IPW as for data supply and support on the historical developments (Work Areas: 1. Markets and Statistics, 2. Forest Resource Assessment) but also for policy implication of outcomes from the long-term outlooks (Work Area 5. Policy and Cross-Sectoral Issues). Furthermore, for expanding to work to cross-sectoral policy issues, more emphasis should be given to exploring and exploiting synergies between forest sector outlook studies and other ECE programmes dealing with environment, trade and energy policy issues.

37. The Working Party is requested to evaluate this approach and, in case of high importance, to give guidance as to how to work on synergies considering the quite limited resources for this task.

c) **Approval of EFSOS programme**

38. According to the ongoing work and raised or expected additional resources, work area 3 of the IPW (annex 1) and the mandate for the Team of Specialists (annex 2) were reviewed by the secretariat.

39. The Working Party is requested to approve the updated Work Plan and to confirm the mandate for the Team of Specialists.

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Annex I

<b>Programme element</b>	<b>Description:</b>	<b>Outputs</b>	<b>Duration</b>
<b>Work area 3: EUROPEAN FOREST SECTOR OUTLOOK STUDIES (EFSOS)</b>			
3.1 Outlook for European forest products markets	To describe scenarios of future development of major parameters such as production, consumption and trade flows, repeating the ETTS V method, based on traditional econometric modelling. Input data will be updated and the methodology improved as the availability of resources allow.	Base line study report	12/2002
3.2 Outlook for European forest resources	To describe the development of forest resources by their main parameters, such as area, growing stock and increment and to link it to the sustainable availability of removals from thinnings and clear cuttings, assorted by quality groups.	Base line study report	12/2002
3.3 Analysis of long term historical driving forces	Desirable to include description/analysis of those forces in EFSOS study. However, at present sufficient resources not available. Scope depends on availability of resources.	Chapter of baseline study	12/2002
3.4 Complementary case studies on particular policy scenarios and sub-regions	Studies to be prepared as resources permit will analyse the impact of policy, market and external factors on scenarios of long-term development of the forest sector.	Russian Forest Sector outlook Study	05/2002
3.5 Policy scenarios analysis	A study will define scenarios about policies (internal or external to the sector) with major impacts on the European forest sector parameters, evaluating the probability of their occurrence. The study should identify the subjects for further specific scenario analyses and define the quantitative impact, which could be modelled in the framework of	Meta-Study on Scenarios with Major Impacts on the European Forest Sector as a part of the baseline study report	04/2002

Programme element	Description:	Outputs	Duration
<b>Work area 3: EUROPEAN FOREST SECTOR OUTLOOK STUDIES (EFSOS)</b>			
	<p>the forest products and the forest resource models. The Swiss government contributes to the analysis with funds.</p> <p>New project proposal "Stabilisation of the market economy in Eastern European countries - consequences for the forest sector"</p>	Depending on additional funds	Depending on additional funds
3.6. Information network, public relations of EFSOS, fund raising	<p>Existing knowledge tools will be searched and collected (literature and web sources) in the frame of an information network. The results will be published on the EFSOS web site in order to create synergy effects. The goal is to find studies, with objectives and approaches comparable to EFSOS and useful in its framework.</p> <p>The ToS, will meet 1-2 times a year to advise the secretariat. Smaller specific satellite meetings will be organised to discuss special tasks. Further, meetings of national correspondents, officially nominated by countries, will be organised to provide national data, comment on outputs, scenarios, etc.</p> <p>Various public relation activities will be organised in the frame of EFSOS, such as meetings, press releases and a web sites.</p> <p>The secretariat will organise fund raising activities, drafting project proposals.</p>	<p>Outlook information database,</p> <p>EFSOS meetings,</p> <p>web page, CD, hard copy publications</p> <p>additional funds and additional outcomes/activities</p>	<p>Continuing</p> <p>Continuing</p> <p>Continuing</p> <p>Continuing</p>

Annex II

<b>TEAM OF SPECIALISTS ON FOREST SECTOR OUTLOOK</b>	
<b>A. - TERMS OF REFERENCE</b>	
<b>ESTABLISHED BY:</b>	Timber Committee, 56th session and EFC 29th session
<b>References:</b>	TIM/1998/5, FO:EFC/98/7
<b>MANDATE:</b>	To advise the secretariat on the planning and implementation of the ECE/FAO programme of outlook studies, notably as regards methodology, data and presentation. It will also support the secretariat in obtaining additional resources. It may make suggestions for any other programme related issues.
<b>DURATION:</b>	To 2004
<b>APPROVED BY:</b>	Joint FAO/ECE Working Party on Forest Economics and Statistics, Twenty-third session, May 2001 (TIM/EFC/WP.2/2001/9)
<b>REPORTING:</b>	To sessions of Joint FAO/ECE Working Party on Forest Economics and Statistics at sessions in 2002 and 2003
<b>EXPECTED OUTPUT IN THE NEXT 18 MONTHS:</b> To comment on work in progress and provide guidance on methods, data, etc. of baseline and alternative scenarios.	
<b>B. - INFORMATION SHEET (as of May 2002)</b>	
<b>ACTIVITIES:</b>	
<b>Past:</b>	Meeting in March 2000, "EFSOS activities 1999/2000", "Description of medium-term EFSOS tasks", "EFSOS working programme 2000/2001" Informal meeting "Use of Global Forest Sector Model in the frame of EFSOS" July 2000 Meeting in December 2000 "Policy oriented scenario studies in the frame of EFSOS" Meeting in March 2001 "Status of EFSOS and the working programme for the next year" Special topic "European Timber Trends and prospects" Meeting in December 2001 "Meta-study of scenarios with major impacts to the European Forest Sector"
<b>Ongoing:</b>	Informal working meetings
<b>Future:</b>	Meeting in May 2002, smaller working meetings as necessary, involving members of the team
<b>References:</b>	TIM/EFC/WP.2/2001/9
<b>TEAM LEADER:</b>	To be appointed
<b>CURRENT PARTICIPANTS:</b>	So far the EFSOS Team of specialists has included officially nominated representatives from AUSTRIA, CZECH REPUBLIC, DENMARK, FINLAND, FRANCE, HUNGARY, IRELAND, LATVIA, LUXEMBOURG, NORWAY, POLAND, PORTUGAL, ROMANIA, RUSSIAN FEDERATION, SPAIN, SWEDEN, SWITZERLAND, UNITED KINGDOM, USA, YUGOSLAVIA and the FAO. Additionally, outlook study experts, policy makers and entrepreneurs participate the meetings.  New members may be recruited to cover expected activities after the completion of the base line study.