

Distr.  
General  
TIM/EFC/WP.2/2003/5  
19 December 2002  
Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE    FOOD AND AGRICULTURE ORGANIZATION  
Timber Committee                      European Forestry Commission

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

to be held in the Palais des Nations, Geneva  
24 – 26 February 2003, starting at 10.00 hrs on Monday, 24 February

Item 5 of the Provisional Agenda  
**Guidance of work area 3: European Forest Sector Outlook Studies (EFSOS)**

**A. Background**

1. Under the EFSOS work area, the flagship publication "The Outlook Study Report" is embedded in a range of complementary studies and activities. During the last meetings of EFSOS national correspondents and outlook study specialist (Team of Specialists - ToS) May 2002 draft outcomes of the recently launched round of outlook study activities were presented and discussed. The EFSOS work programme and the corresponding activities, outcomes and deadlines were approved.
2. In line with the major direction of UNECE, the future main goal of the EFSOS programme is the implementation of policy relevant outlook study outcomes. In close cooperation with MCPFE, EU and FAO the aim is to provide the relevant recommendations to the major stakeholders and the public in general in order to assist the dialogue on sustainable forest management in Europe and to foster the position of forestry in society. This approach was confirmed by the Working Party on Economics and Statistics of the Timber Committee as well as by the EFSOS ToS.

## **B. Activities between May 2001 and spring 2002**

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

### **3.1 Outlook for European forest products markets**

4. Long-term GDP forecast for all European Countries, based on reliable assumptions were published in 2001 in the Discussion Paper series and used as an input for the scenario forecasting of forest products markets.

5. A baseline scenario and two alternative policy scenarios were developed to elaborate the forecast for forest products markets, using the traditional econometric approach developed during ETTS V. Two draft reports, one on the estimation of elasticities and one on the forecasts of production, trade and consumption of forest products are ready for publication.

6. ILO contributed a report on Employment Trends and Prospects in the European forest Sector, dealing with the outlook for labour resources, employment and social issues in the forest sector. This forecast was elaborated based on labour productivity factors, provided by ILO, combining them with the production forecasts from the market model.

### **3.2 Outlook for European forest resources**

7. Co-operation with the European Forestry Institute is used in order to use the EFISCEN age class simulation model to describe the development of forest resources. Further, the EFISCEN input data were updated and also expanded (for Russia, Belarus, Ukraine and Moldova), using the TBFRA 2000 terminology and definitions. About 30 countries provided new inventory data in the requested structure for the EFISCEN model. A report summarising this work is being prepared.

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

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

9. The secretariat carried out a historical analysis forest resources and driving forces in close co-operation with Work Area 2 “Forest Resource Assessment”. Based on an inquiry, the goal is to make 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 secretariat expects the draft report mid January 2003.

10. Regarding the historical development of forest products markets a first contribution was made by Work Area 1 "Market and Statistics" with a presentation about the long-term developments of production, trade, and consumption of forest products. The secretariat worked on historical analysis of forest product markets. The main source here is the Timber Statistical database, the ECE Common 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 secretariat expects the draft report by mid December 2002.

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

11. The secretariat, supported by the Executive Secretary of UNECE, requested the Russian Federation to elaborate, together with the Russian national correspondents, a Russian forest sector outlook study as an EFSOS case study. The work started in the end of 2000. The results were presented and discussed during an expert meeting December 2001 in Moscow and during a meeting of the EFSOS ToS end May 2002. The report is in the publishing process.

12. The secretariat launched a new project: "Synopsis of forest related legislation", which currently running on a secondary level of importance. A first meeting with policy analyst experts has taken place in November 2002, where a first draft report was discussed. Three legal issues (reafforestation after clear cutting, public access to forests, public use of non-wood forest products) are so far analysed. An inquiry was sent out to policy experts to comment on the draft outcomes. An analysis of international forest policy processes in Europe will be included. Further progress depends on availability of resources.

### **3.5 Policy scenarios analysis**

13. The secretariat launched a special study on "Major Policy Impacts on the European Forest Sector". 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. An intensive literature search as well as 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. The draft report was presented and discussed in an EFSOS meeting end May 2002. After a final review by the authors the report is expected to be published end 2002.

14. Based on the above-described contributions the secretariat is currently drafting the main EFSOS outlook study report.

15. The secretariat launched a new project: "Progress towards market economy in Eastern Europe - consequences for the forest sector", which currently running on a secondary level of importance, including analysis of policies and trade flows. The terms of references of the work will be presented. Further progress depends on availability of resources.

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

16. In the framework of the above described studies a literature search is being carried out. For various sources of outlook related researches the secretariat put links on the EFSOS web page.

17. 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, supported by FAO, was therefore preparing the publication of the ETTS V main report and the related Discussion Papers on the Internet.

18. The EFSOS web page was renewed and got a new structure and layout. The secretariat will publish the pages also in French and Russian.

19. 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.

20. The current EFSOS resources are not sufficient for running an international outlook study project as it was suggested to run now, which has caused a certain delay in comparison to the planned schedule. The EFSOS ToS and the Working Party recognised that the combining of 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.

21. The main component of this network are the officially nominated national correspondents (24 countries nominated so 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. Additional funds were raised over the last years. The main donations are so far coming from governments: (in alphabetic order), Finland, France, Germany, Russian Federation, Switzerland, The Netherlands, UK. A contribution by Sweden is in preparation. FAO increased the contributions for EFSOS end 2001 significantly both for consultants and web page editing. In 2001 these additional resources shared about 55 % of the overall EFSOS manpower resources and about 90 % of the EFSOS regular budgets. 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.

22. The secretariat is faced with additional workload to provide UNECE facilities for hired or loaned consultants (office space, computers etc.). Resources for editing and layout of draft reports as well as for database management are a bottleneck, where additional resources would be needed.

23. EFSOS outcomes will be presented in various documents (draft publications) and send out before the working party (see list below). More outcomes will be presented during the Working Party session.

### **C. Planned activities spring 2003 - 2004**

24. In the coming period the secretariat will focus the EFSOS resources on finishing the outlook study report. Various publications of Discussion Papers (DP) are currently prepared and in progress for publication. Updated outlines are drafted and will be sent out for the discussion during the Working Party session. An EFSOS meeting is planned for 7-9 April 2003 in Geneva to discuss the draft report.

25. The "Outlook Study Report" has currently the top priority. It consists of historical analysis of driving forces, base line scenarios ("business as usual") on forest resources and forest products markets as well as a policy analysis and the description of alternative scenarios. The various components of the programme are at different stages of elaboration. (see chapter B).

26. The policy analysis "Major Impacts on the European Forest Sector" provided useful outcomes and policy recommendations. The secretariat will use the outcomes more actively, contributing this analysis to the international dialogue on sustainable forest management. A follow up workshop/meeting should help to clarify how the results of this study could be applied more efficiently and what kind of forest sector policy activities should be undertaken on the international and national level. The Czech Republic offered to host the meeting

27. As the policy analysis indicated about Progress in Eastern European Countries towards Market Economy, with possible impacts to the European forest sector, the secretariat will follow up the corresponding project, launched in 2002. This analysis focuses of forest products trade flows in the context of various policy scenarios for Eastern Europe, mainly CIS, and here mainly Russia. (see chapter B).

28. The secretariat has launched in 2001 an extra budgetary activity, dealing with a synopsis of forest related legislations (see chapter B). The goal is to describe common legal issues in national legislation, which are linked to sustainable forest management. The synopsis can provide an impact to the international dialogue using a complementary "bottom-up" approach.

29. The Timber Committee in September 2002 discussed possible impacts from changes in energy policies, focusing on renewable energy sources with possible implications, not only for

the energy industry but also for the competitiveness of wood and from there to the economic availability of wood for the wood processing industry. The secretariat plans to elaborate a specific project proposal to address these issues.

30. Further, FAO HQ initiated a new forest sector outlook study project on the Middle East and Western Asia region. UNECE could certainly contribute with its information network, particular experiences, specific data and information about the southern CIS countries. Further the long-term experiences of outlook study activities in ECE and, in particular the network, which was built up for EFSOS, could also provide a useful methodological base for outlook study activities in any other region of the world. The task should be seen in the framework of the high priority goals of UNECE: to foster an integrated regional development between East and West in ECE.

**E List of intended publications**

<b>To be reviewed by the Working Party in 2003</b>	<b>Working title</b>	<b>Series</b>	<b>Author</b>	<b>Est. pages</b>	<b>Original</b>	<b>Translation</b>	<b>Deadline</b>
	Forecast of GDP in European countries for the period 2000-2040	DP	Orlowski et al.	60	E	no	done
*	Scenario analysis for forest resources	DP	Nabuurs et al.	45	E	no	12/2002
*	Macroeconomic modelling of forest products markets	DP	Kangas et al.	20	E	no	in progress
*	Scenario analysis for forest products markets	DP	Kangas et al.	30	E	no	in progress
*	Employment Trends and Prospects in the Europe Forest Sector	DP	Poschen et al.	40	E	no	in progress
*	Driving forces for the development of forest resources	DP	Gold et al.	75	E	no	12/2003
*	Driving forces for the development of forest products markets	DP	Solberg et al.	75	E	no	12/2003
*	Russian forest sector case study	DP	Burdin et al.	100	R	E	in progress
*	Scenarios with major impacts on the European forest sector	DP	Thoroe et al.	200	E	no	in progress
*	Scenarios with major impacts on the European forest sector (literature research)	DP	Simkova	100	E	no	in progress
	Trend and prospects of the European forest sector	SP	secretariat	150	E	F/R	3/2003
	Timber trade flows in Eastern Europe	DP	Kangas et al.	150	E	F/R	5/2003
	Policy scenarios for the Eastern European forest sector	DP	Rueter et al.	50	E	no	7/2003
	The forest sector of Eastern Europe - data and information	DP	??	25	E	no	no yet
	Trends and prospects for Eastern European forest sector	SP	??	120	E	F/R	3/2004
	Common approaches in European forest related legislation	DP	Kniivilä et al.	80	E	no	8/2003

**D. Points for discussion/approval:**

The Working Party is requested to

- review and comment on the EFSOS activities described under point A, B, C and provide guidance on the objectives, methods and timetable proposed,
- comment on the EFSOS draft outcomes, suggest about finalising of drafts,
- indicate the interest of the members in the policy relevance of EFSOS activities and outcomes, in particular its interest in a workshop of forest sector policy decision makers and stakeholders,
- approve the attached EFSOS programme of work and the Terms of References for EFSOS Team of Specialists,
- nominate national correspondents for EFSOS (if not done so far) and to encourage them in an active contribution to EFSOS, providing them with sufficient resources for their functioning,
- verify their interests and possibilities for financial or man-power contributions for EFSOS in order to meet the desired quality and timeliness of the planned outcomes.



Programme element	Description:	Outputs	Duration
<b>Work area 3: EUROPEAN FOREST SECTOR OUTLOOK STUDIES (EFSOS)</b>			
3.1 Outlook for European forest products markets	Description of scenarios of future development of major parameters such as production, consumption and trade flows, based on econometric modelling or more advanced methods. Input data will be updated and the methodology improved as the availability of resources allow.	Forecast of economic growth Estimation of elasticities Outlook on forest products markets Outlook on Employment and labour issues	published in publishing process in publishing process in publishing process
3.2 Outlook for European forest resources	Description of the development of forest resources by their main parameters, (area, growing stock and increment); link it to the sustainable availability of removals from thinning and clear cuttings. "Inventory" input data will be updated and the methodology improved as the availability of resources allow.	Outlook on European forest resources	Expected by 11/2002
3.3 Analysis of long term historical driving forces	Desirable base for outlook studies. Scope depends on availability of resources.	Historical trends of forest resources Historical trends of forest products markets	Expected by 12/2002 Expected by 12/2002
3.4 Complementary case studies on particular policy issues 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 Renewable Energy Sources Western Asia and Middle East outlook study Synopsis of national forest legislation	in publishing process depending on available resources 12/2006 8/2003

3.5 Policy scenarios analysis	<p>Analyses will be carried out with goal to describe the impact of various policy scenarios (internal or external) to the sector.</p> <p>Progress towards market economy in Eastern Europe - consequences for the forest sector</p>	<p>Major Impacts on the European Forest Sector as a part of the baseline study report</p> <p>Outlook study report</p> <p>Data and information gathering, Trade flow analysis, Policy scenario analysis</p>	<p>in publishing process</p> <p>3/2003</p> <p>3/2004</p>
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, to endorse the policy relevant outcomes.</p> <p>The secretariat will organise fund raising activities, drafting project proposals.</p>	<p>Outlook information database,</p> <p>EFSOS meetings, satellite 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>

<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.
<b>REPORTING:</b>	To sessions of Joint FAO/ECE Working Party on Forest Economics and Statistics at sessions in 2003 and 2004
<b>EXPECTED OUTPUT IN THE NEXT 18 MONTHS:</b> Support to data and information gathering; provide guidance on methods, comment on draft outcomes.	
<b>B. - INFORMATION SHEET (as of December 2002)</b>	
<b>ACTIVITIES:</b>	
<b>Past:</b>	<p><b>Annual EFSOS meeting in March 2000:</b> "EFSOS activities 1999/2000", "Description of medium-term EFSOS tasks", "EFSOS working programme 2000/2001"</p> <p>Informal meeting "Use of Global Forest Sector Model in the frame of EFSOS" July 2000</p> <p>Meeting in December 2000 "Policy oriented scenario studies in the frame of EFSOS"</p> <p><b>Annual EFSOS meeting in March 2001:</b> "EFSOS activities 1999/2000", "Work plan for 2000/2001", Special topic "European Timber Trends and prospects"</p> <p>Meeting in December 2001 "Meta-study of scenarios with major impacts to the European Forest Sector"</p> <p><b>Annual EFSOS meeting in May 2002:</b> "EFSOS activities 2001/2002", "Work plan for 2002/2003", "Draft outcomes"</p>
<b>Ongoing:</b>	Informal working meetings
<b>Future:</b>	Annual EFSOS meeting in April 2003, Annual EFSOS meeting in May 2004 smaller working meetings as necessary, involving members of the team
<b>References:</b>	TIM/EFC/WP.2/2002/6
<b>TEAM LEADER:</b>	To be appointed
<b>CURRENT PARTICIPANTS:</b>	<p>So far the EFSOS Team of specialists has included officially nominated representatives from the following countries: AUSTRIA, CZECH REPUBLIC, CYPRUS, DENMARK, FINLAND, FRANCE, GERMANY, HUNGARY, IRELAND, LATVIA, LUXEMBOURG, MOLDOVA, NORWAY, POLAND, PORTUGAL, ROMANIA, RUSSIAN FEDERATION, SLOVAKIA, SPAIN, SWEDEN, SWITZERLAND, UNITED KINGDOM, USA, YUGOSLAVIA. International partner organisations like (FAO, EU, EFI and others) are participating actively. Additionally, outlook study experts, policy makers and entrepreneurs attend the meetings.</p> <p>New members may be recruited to cover the planned EFSOS activities.</p>