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ECONOMIC COMMISSION FOR EUROPE
Timber Committee

FOOD AND AGRICULTURE ORGANIZATION
European Forestry Commission

JOINT FAO/UNECE WORKING PARTY ON FOREST ECONOMICS AND STATISTICS
Twenty-seventh session

to be held in the Palais des Nations, Geneva
22 – 24 March 2005, starting at 10.00 hrs on Tuesday, 22 March

Item 5 of the Provisional Agenda
Guidance of work area 3: forest sector outlook studies

Note by the Secretariat¹

The document informs the Working Party of the availability of the *European Forest Sector Outlook Study, Main Report*, its main conclusions and the planned activities in promoting the study. The working party is invited to provide guidance on the following:

- Maximizing the impact and usefulness of EFSOS
- Follow up to EFSOS
- Review of the outlook study process, both regional (EFSOS) and global.

¹ This document was submitted late for documents processing as it was received late from the source.

Background

1. The European forest sector outlook study (EFSOS) was made available in pre-publication form on the website in late December 2004, and will be printed and distributed in paper form shortly. It will be distributed to delegates at the FAO Committee on Forests COFO, as well as to all delegates involved in the Integrated programme, including, of course the Working Party delegates. At the session, there will be a short presentation of the study's main conclusions, followed by a brief² discussion. The Working Party will then be invited to provide guidance on the following:

- Maximizing the impact and usefulness of EFSOS
- Follow up to EFSOS
- Review of the outlook study process, both regional (EFSOS) and global.

Maximizing the impact and usefulness of EFSOS

2. Experience with other outlook studies, in Europe and other regions indicates that despite the acknowledged quality of the analysis, and its usefulness to analysts and researchers, their direct impact on policy formulation has been limited, leading to a partial failure to achieve the stated objectives. The reasons for this are not well understood. (See also section on evaluation of FAO outlook studies programme.)

3. The secretariat has attached high priority to communicating the EFSOS analysis, and stimulating a policy debate based on its conclusions. To this end, during 2005, the following measures will be taken:

- Widespread distribution of the study, accompanied by personal letters from senior officials to policy makers (ministers, heads of forest sector policy) in every country.
- Presentations to national or international professional meetings. Countries and associations (private sector, civil society) are invited to consider devoting meetings to the outlook for their sector of interest, where the EFSOS analysis can serve as a basis for a debate. Working Party delegates are invited to consider organizing such events in their countries. Secretariat members are willing to contribute to these events on invitation, within the limits of time and resources, but this cannot be sufficient by itself: a national reflection or dialogue is necessary.
- A special effort should be made to present the issues and outlook prepared by EFSOS to non-forest sector bodies, given the importance attached to a cross-sectoral perspective by EFSOS. For instance, all ECE Principal Subsidiary Bodies should be approached.
- The Forest Communicators Network will be asked to arrange for the messages of EFSOS to be transmitted through their channels, in addition to the standard communications methods to be used by the secretariat (press release, flyer, prominence on website, newsletter etc.).

4. *Delegates are invited to discuss and modify the suggestions above, and to promote discussion of the issues raised by EFSOS at the national level.*

Follow up to EFSOS

5. Follow up work may be divided into three types:

1. Policy discussion arising from EFSOS analysis
2. Analytical work arising from needs identified by EFSOS
3. Preparation for future outlook studies

² Brief because the analysis of EFSOS has been presented to the Working Party before.

6. Policy discussion arising from EFSOS analysis
 1. A workshop on the policy consequences of EFSOS, in order to stimulate discussion of implications for policy formulation of the EFSOS conclusions and recommendations, and to formulate recommendations for follow-up action at the national and pan-European level. Proposals for this workshop are in annex 1.
 2. One of the main EFSOS conclusions concerns the need for a cross-sectoral approach. A workshop is being organised with MCPFE and other partners on forests'/forest sector contribution to sustainable development in Europe. Information on this workshop is in annex II.
 3. A number of issues, identified by EFSOS, deserve attention at an international policy level and might be the topic of workshops or seminars under the auspices of ECE/FAO, MCPFE or other organisations. Topics could include:
 - Forest management strategies and objectives: wood, services and economic viability. How to achieve the optimum result?
 - Strategies for the forest workforce: how to achieve a sustainable work force?
 - Policies for the sound use of wood (successor to 2003 seminar in Romania)
 - National and regional strategies to address the shift in balance of the forest sector to the east
 - Maximizing the contribution of the forest sector to sustainable development in the Balkans and CIS
 4. An international effort is needed to address the issues of threats to SFM in certain Balkan and CIS countries. FAO is at present developing a strategy on this issue, but ECE/FAO will certainly contribute and EFSOS will provide a coherent factual and policy background for the work.
7. Analytical work arising from needs identified by EFSOS
 1. EFSOS identified the wood energy question as being of primary importance and not well understood. The Working Party is being invited under item 6 of its agenda to consider this issue.
 2. EFSOS identifies innovation and investment into research and development, notably of new products and processes as crucial to sustainable development, including the economic viability and competitiveness of the sector. At present it is unclear whether and to what extent governments and stakeholders are supporting such efforts and benefiting from them. A proposal from ECE and the EFI project centre INNOFORCE to remedy at least in part, this situation is attached to the present document (annex III).
 3. There is a need to improve knowledge and understanding of the situation in the Balkans and the CIS, for instance by bringing together existing work and promoting the inclusion of experts from these countries in the international forest sector community.
 4. The research community should be asked whether lists of priority research needs require any adaptation in the light of the EFSOS analysis.
 5. There is a need for better knowledge of material flows and driving forces for recovered wood and industrial residues
 6. There is a need to review strategies applied in transition countries with the aim of sharing knowledge and experience and learning from the lessons of experience
8. Preparation for future outlook studies
 1. The wood supply potential of the European forest, including the social aspects (small private owners) and the economic aspect (price elasticity of supply) is still not well understood. The solution adopted in EFSOS, was not entirely satisfactory, notably because of the lack of an economic or policy dimension in the wood supply side and because of difficulties linking the

market with the forest models. There is scope to explore an approach involving national experts, and integrating the results of national forest programmes where they exist.

2. The interaction of the forest sector with other sectors is still not well understood or appreciated (see workshop in annex II). Work needs to be undertaken to clarify further the situation and driving forces in this respect
 3. The authors of EFSOS experienced some difficulty in drafting the section on trends in forest sector policies (2.11), as there is no readily available monitoring system for forest policies and institutions in Europe. Information is available from a variety of national and international sources (e.g. national reports to UNFF, CBD and MCPFE)³, but, to the secretariat's knowledge, there are at present no systems to monitor developments for forest sector policy and legislation on a continuing basis, apart from the brief survey carried out every two years for the EFC session. Should the feasibility of setting up such a monitoring system, be considered? Would such a monitoring system be useful, and justify the effort needed to set it up?
 4. Supply and demand of non-wood products and services, as well as the values of all forest outputs are better covered in EFSOS than in earlier studies, but the quality and quantity of information is still much less for these topics than for wood, leading to an unfortunate imbalance in the study as whole. Efforts should continue to correct this situation. In particular the data collected on the indicators of sustainable forest management should be used in future outlook studies to monitor these aspects.
 5. There is a need for better information on costs to monitor the economic viability of forest management
 6. There is a need to maintain expertise in outlook study analytical techniques, to avoid starting from scratch the next time: expert meetings might be held in the period between full outlook studies, possibly focusing on transferring national level experience and skills, to those countries which have experienced difficulties in participating fully in the EFSOS, for whatever reason. This activity might be a useful complement to national forest programmes.
 7. Countries should be asked to check their national data sets, especially as regards conversion factors, as EFSOS has revealed certain anomalies, increasing since the early 1990s, possibly due to unrecorded shifts in raw material/product conversion factors and the use of industrial residues and recovered forest products.
 8. In 2007, as part of the next strategic review of the integrated programme, there should be a short comparison of developments since 2000 with the EFSOS forecasts, as a guide to future outlook studies work
9. At present, none of the above activities are scheduled or funded, with the exception of the two workshops presented in annexes I and II.

10. Delegations are invited to indicate which of the above suggestions they consider useful or desirable, if possible with some indication of priority. They may also consider contributing to their implementation for instance by carrying out enquiries or studies, hosting workshops etc.

Review of the outlook study process, both regional (EFSOS) and global

11. It is also necessary to evaluate the whole outlook study process at the regional and global level, considering:

³ The website of the Collaborative Partnership on Forests under "streamlining reporting" (<http://www.fao.org/forestry/foris/webview/cpf/index.jsp?siteId=1220&langId=1>) makes it possible to find national reports to the relevant global processes, but there is no attempt at synthesis.

- Whether the stated objectives are being met, and if so whether the methods chosen are effective and efficient;
- Whether the concept of outlook studies in general represents a significant contribution to the promotion of sustainable forest management in the region.

12. FAO has carried out an auto-evaluation of its outlook studies programme (the draft will be circulated).

13. *Delegates are invited to respond to the above two questions.*

Annex I

Workshop on policy consequences of EFSOS

- Target group:** forest sector policy makers (with participation of stakeholders)
- Objective:** to stimulate discussion of implications for policy formulation of the EFSOS conclusions and recommendations, and to formulate recommendations for follow-up action at the national and pan-European level.
- Participation (by invitation):** policy makers (2 from each MCPFE country, possibly one MCPFE delegate and one senior national policy maker, preferably linked to nfp) plus stakeholders e.g. WWF, CEPF, CEI-Bois, ENFE, representatives of other sectors) Total: about 100. A national report, outlining national response to EFSOS conclusions and recommendations, would be a condition for participation.
- Where:** Budapest
- Duration:** 2 days
- Atmosphere:** informal, serious, participatory, stimulating, interesting.
- Dates:** 2-3 May or week of 20-24 June 2005.
- Organization of workshop:** EFSOS presentation, synthesis of national reports. Discussion of basic questions: what will change in your country's forest sector policy because of the outlook presented in EFSOS? How will national sector policies and institutions respond to the outlook described by EFSOS?
- Outputs:** Confirmation/modification of policy recommendations of EFSOS, suggestions for follow-up actions, possible input for MCPFE Warsaw,
- Background documentation:** EFSOS, national reports, "EFSOS country profiles"⁴.

⁴ Tables with national data, on which the regional and subregional aggregates presented in EFSOS are based.

Annex II

**Workshop on forests'/forest sector contribution to sustainable development in Europe:
the cross-sectoral dimension**

- Objectives:**
- (1) Improve understanding of how policies and strategies developed in other sectors strongly influence the forest sector and vice versa,
 - (2) Identify key cross-sectoral issues, actors and interactions
 - (3) Explore success stories for intersectoral partnerships (e.g. EU DG coordination)
- Target groups:** forest policy makers + other policy makers by invitation.
- Where:** Latvia (to be confirmed)
- Duration:** Three days + field trip
- Atmosphere:** positive spirit, informal, serious, participatory, stimulating, interesting.
- Organization:**
- Opening: Philosophy, Background Keynote paper
 - Sector by sector dialogue (initiated by non-foresters and responses by forest policy experts)
 - Success stories
 - Working groups on selected interfaces (e.g. water-forest)
 - Reports/ Feedback from working groups
 - Synthesis and recommendations
- Outputs:**
- better understanding of complex cross-sectoral systems
 - list of key cross-sectoral interactions, actors and interactions
 - new consensus on how the forest sector should approach these cross-sectoral interactions
 - raised awareness among other sectors
 - suggestions for follow-up actions (incl. input for MCPFE ELM....)
- Focus:** national level, pan-European level

Annex III

INNOVATION AND FOREST POLICY SURVEY 2005

Proposal for a survey to be undertaken in collaboration between the UNECE Timber Branch and the European Forest Institute Project Centre "INNOFORCE"

A follow-up initiative in the context of the
UNECE/FAO European Forest Sector Outlook Study (EFSOS)

Background and Justification

UNECE/FAO European Forest Sector Outlook Study stresses the importance of competitiveness in developing the sound use of wood. Innovation is widely recognised as a key driving force for economic growth, competition and employment creation and thus seen as highly relevant for the economic viability and sustainable development of the forest sector.

At the 4th Ministerial Conference on the Protection of Forests in Europe in 2003 the ministers responsible for forests, through Resolution V2, recognised the importance to improve the conditions for SFM, which have led to economic challenges for the forest sector in many regions in Europe. They noted that economic viability is of crucial importance for maintaining forests and their multiple benefits for society, contributing to sustainable development and to human livelihood especially in rural areas. The Work Programme of the MCPFE strives to improve the conditions necessary for a viable, competitive forestry sector and to contribute to rural development, inter alia, through measures that enhance competitiveness and innovation. This initiative should be a direct contribution to the implementation of the MCPFE Work Programme.

This annex contains proposals for a survey to analyse the current situation on how innovation is addressed in forest policies and measures to promote innovation related coordination.

Objective

The objective is to undertake a survey amongst governments (ministries responsible for forestry) on

- whether and how innovation is addressed in forest policy and related experiences
- measures taken to support innovation through informational and financial means, and related experiences,
- measures taken to enhance interaction and co-ordination amongst key actors in innovation

The results of the survey should be presented at the International Seminar on "Policies fostering investment and innovation in support of rural development", co-organized by MCPFE and EFI and currently planned to be held in February/March 2006.

Outline of methods

The survey will be conducted through postal/e-mail survey amongst all UNECE member countries. An opportunity will be provided to fill in the form on-line via the web. A draft survey outline is as follows:

Outline of contents

- A. Innovation as a topic in forestry policy
1. Is innovation currently discussed in forestry policy in your country? If yes, how and where (platforms and resulting documents)?
 2. What are experiences with innovation as a topic in forestry in your country? What are obstacles, gaps, success factors, cases of success or failures?
- B. Innovation support measures in national forestry policies
1. Are there explicit innovation support measures in forestry strategies and programmes in your country? If yes, in which?
 2. What is the main focus of these innovation support measures?
 - Fostering an innovation conducive culture and framework (e.g. specific measures in education & training, interaction/co-operation, regulation) y/n
 - Gearing research to innovation (strengthening company research, co-operation between research institutes and enterprises, etc.) y/n
 - Measures to develop specific products or services (e.g. bioenergy, tourism)
 - Measures to improve efficiency of production
 - Other (please describe)
 3. Are forestry policy measures monitored and evaluated according to their effects on innovation or the economic development of the forestry sector? yes/no
 4. What are experiences with developing and implementing innovation measures in forestry in your country? What are obstacles, gaps, success factors, cases of success or failures?

B1 Informational support

1. Are there innovation specific informational instruments on forestry innovation aspects provided in your country (education/training, new market developments, learning, demand articulation, interaction platforms, etc.)? If yes, in which form and for whom?

B2 Financial support measures

1. What are main financial instruments in forestry used in your country to support innovation, related research, introduction of new products/services, innovation diffusion, technology transfer, interactions, etc.?
2. What are the main activities supported?
3. Are project selection criteria adopted that take a project's innovation potential into account?
4. Are there forestry investment support measures available in your country?

B3 Co-ordination of actors

The management of interfaces, interactions and co-ordination between various actors within the sector and across sectors is essential for innovations.

1. Are there forest innovation specific mechanisms of interactions and co-ordination (e.g. regular contacts, consultations, meetings, working groups, etc.) between key actors of the national forest administration, R&D institutions, education and training organisations, and interests groups in your country?
2. Are there interactions and co-ordination on innovation issues with innovation policy actors (e.g. ministries responsible for innovation, education and research; national council for innovation, innovation agencies)?
3. Are there specific mechanisms of interactions and co-ordination on innovation issues with actors of the forestry-wood chain?
4. What are experiences with co-ordination/interaction on innovation issues in forestry in your country? What are obstacles, gaps, success factors, cases of success or failures?

To compare changes over time, it is intended to repeat this survey at 3-5 year intervals, i.e. in 2008 or 2010.

Responsibilities

Responsibilities for conducting the survey will be shared between UNECE Timber Branch and the EFI Project Centre (EFI PC) Innoforce as follows: (initial proposal)

Preparation of survey design and questionnaire	EFI PC
Review and comments	UNECE
Final decision on survey design and questionnaire	Jointly
Postal survey, e-mail and web-portal	UNECE
Compilation of responses	UNECE
Creation of data table	EFI PC or UNECE
Data analysis	EFI PC
Draft report	EFI PC
Review and comments	UNECE
Approval of final report	Jointly

It is envisaged to publish the final report as UNECE Discussion Paper or in a similar international publication with broad readership.

Both parties (UNECE and EFI PC Innoforce) are understood to finance the implementation their respective tasks.

Time table

Preparation of survey design and questionnaire	Mar-April
Review and comments	April
Final decision on survey design and questionnaire	April
Postal survey, e-mail and web-portal, reminder	May-June
Compilation of responses	May-June
Creation of data table	July
Data analysis	July
Draft report	September
Review and comments	October
Approval of final report	December