

Item 7a. Forestry and climate change after Bali

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Background

The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), released in 2007, indicates that in the 1990s nearly one fifth of greenhouse gas emissions resulted from land-use change, primarily deforestation. This awareness has raised the prominence of forest conservation and sustainable forest management in global climate change discussions, and in particular in recent negotiations under the United Nations Framework Convention on Climate Change (UNFCCC).

The United Nations Climate Change Conference, which included sessions of the Conference of the Parties (COP 13) to UNFCCC, its subsidiary bodies for Scientific and Technological Advice (SBSTA) and for Implementation (SBI), and the Meeting of the Parties to the Kyoto Protocol (MoP KP), was held in Bali, Indonesia, from 3 to 14 December 2007. The combined meetings drew more than 10 000 participants. The role of forests was discussed intensively. COP 13 culminated in the adoption of the Bali Action Plan, which outlines actions to 2012 and beyond.

Forest relevant decisions

The Bali Action Plan (<http://unfccc.int/resource/docs/2007/cop13/eng/06a01.pdf>) specified an area for action related to forests: “Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”.

The COP also adopted a specific decision on reducing emissions from deforestation and forest degradation (REDD), which emphasized the urgency of taking further meaningful action to reduce emissions from deforestation and forest degradation in developing countries. Parties were encouraged to explore a range of actions to address the drivers of deforestation, including through demonstration activities. The UNFCCC Subsidiary Body for Scientific and Technical Advice (SBSTA) is requested to undertake a programme of work on methodological issues related to policy approaches and positive incentives.

Furthermore, the COP adopted a decision revising the limit for small-scale afforestation and reforestation project activities under the Clean Development Mechanism (CDM) – an effort to stimulate more small-scale projects of this type. The decision increases the upper limit of annual greenhouse gas removals eligible for emission reduction credits from 8 to 16 kilometres.

The conference also approved an adaptation fund to strengthen the resilience of poor and vulnerable people and countries and help them cope with the effects of climate change. The fund is intended to finance adaptation projects by, *inter alia*, improving water supplies for drought-prone areas and conservation and restoration of mangroves for coastal protection. The fund will be administered by the Global Environment Facility and overseen by representatives from both industrialised and non-industrialised countries. Funding will come from a two percent levy on revenues, generated by the CDM, and thus will not depend on aid budgets.

Forest Day

To draw attention to forest issues and inform the discussions related to forests under negotiation at COP 13, on 8 December 2007, the Center for International Forestry Research (CIFOR) organised a Forest Day which was co-hosted by the partners of the Collaborative Partnership on Forests (CPF).

Four main sessions addressed methodological challenges in estimating forest carbon; market and governance; equity versus efficiency; and adaptation. In addition, 25 side events focused on diverse climate-change related topics, including carbon emission abatement costs from reduced deforestation; the future of the land-use sector in carbon markets; funding for REDD; biofuels for climate change mitigation; and national experiences in baseline analysis of deforestation. Forest Day was attended by more than 800 people, including scientists, policy-makers and representatives of intergovernmental and non-governmental organisations. Forest industry, through ICFPA, organized a side event on Forest Day, jointly with FAO and other partners.

CPF presented key recommendations to the Executive Secretary of UNFCCC related to the role of forests in combating climate change, including the need for:

- addressing the drivers of deforestation, including those beyond the forest sector, for the success of mechanisms based on REDD;
- a combination of market and governance-based approaches;
- simple mechanisms with low transaction costs;
- clarified land rights and legal rights to carbon to ensure equity in the distribution of benefits from REDD;
- immediate adaptation focused on the most vulnerable, including forest-dependent people.

Initiatives launched in support of reducing emissions from deforestation and forest degradation

The World Bank launched the Forest Carbon Partnership Facility (FCPF), a ten-year initiative to establish a forest carbon market that economically favours forest conservation and benefits developing countries. Nine industrialised countries have pledged US\$ 155 million to start. Currently, developing countries cannot sell carbon credits from avoided deforestation or degradation; however, FCPF will support pilot efforts intended to help inform related decisions for the post 2012 climate change regime and for a potential carbon market mechanism.

Also at Bali, the Government of Norway announced that it is ready to provide funding of 3 billion Kroner (about US\$ 570 million) per year over a five-year period to support REDD efforts.

It is important to make use of the window of opportunity offered by the Bali Action Plan to the forestry sector. Two complementing initiatives are at present under way, one process led by The Forest Dialogue, and another by the Collaborative Partnership on Forests, to develop common positions on this issue for the forestry sector and to ensure that our voice will be heard.

Item 7b. Working with Countries to Reduce Deforestation and Forest Degradation: Taking Climate Change Action through Sustainable Forest Management

1. BACKGROUND

The United Nations Framework Convention on Climate Change (UNFCCC), at its thirteen session of the Conference of the Parties (COP13) held in Bali in December 2007, adopted a decision on reducing emissions from deforestation in developing countries. The decision invites Parties to further strengthen and support ongoing efforts to reduce emissions from deforestation and forest degradation (REDD) on a voluntary basis, including actions related to assessing and monitoring emissions from deforestation and forest degradation and undertaking demonstration activities to address the drivers of deforestation relevant to their national circumstances. COP 13 also adopted a decision on the Bali Action Plan (1/CP.13) for the negotiations that will take place over the next two years related to the post 2012 climate change regime. including “policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries, the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.”

Countries, in many cases with assistance from the international community, have been trying for the past two or more decades to reduce unplanned deforestation, stem forest degradation and implement sustainable forest management. Despite some success stories, the challenges have proven to be considerable. Tropical forests are continuing to disappear at an alarming rate. Between 1990 and 2005 an average of 13 million hectares per year were lost, mainly in tropical countries. The underlying causes of deforestation vary from country to country and even within a country and are often complex in nature. FAO data highlight major causes by region: the primary cause of deforestation in Latin America was a conversion of forests to large scale permanent agriculture, in Africa by conversion to small scale permanent agriculture and in Asia conversion of forests to large scale permanent agriculture was also a main factor, but there was a mix of other direct causes. The underlying causes are often even more intractable, ranging from lack of good governance, non conducive land tenure systems and weak law enforcement, to ineffective capture of the values of forests and inequitable sharing of the benefits, to poverty and greed. Solutions need to be tailor-made to the environmental and socio-economic conditions of each country and their institutional capacity.

2. FAO SUPPORT TO COUNTRIES IN SUSTAINABLE FOREST MANAGEMENT

Positive incentives for reducing greenhouse gas emissions from deforestation and forest degradation⁶ (REDD) may provide crucial impetus for implementing sustainable forest management⁷ (SFM) and help stem the loss and degradation of forests and their ecosystem services. Efforts around the world to advance towards SFM provides a wealth of knowledge, experience, best practice guidance, tools, mechanisms and partnerships that can be applied to meeting climate change challenges, including REDD. Using SFM as an overall framework, climate change issues can be addressed in an integrated way. Mitigation and adaptation efforts should provide synergies with other local and national objectives of forest management and with international commitments made on forests (e.g. in UNFF, CBD, UNCCD).

Building on its experience over the past 60 years, FAO is supporting sustainable forest management worldwide through a comprehensive programme covering aspects of forest management and conservation, environmental and economic aspects of forest utilization, and policy and institutions. FAO provides information on all aspects of SFM, direct technical support to countries through normative and field programme activities, develops best practice guidelines and technical tools, strengthens country capacity, catalyzes regional and international cooperation, and serves as a neutral forum. It works directly with countries, with sub-regional, regional and international processes; and through many partnerships and collaborative programmes. Activities particularly relevant to REDD and FAO mechanisms and structures available to facilitate REDD readiness programmes are described below.

Strengthening forest policy frameworks: national forest programmes

FAO facilitates development and implementation of national forest programmes (nfps) in 58 countries and with three sub-regional organizations. Nfps are a commonly agreed framework for planning and implementation of forestry activities in pursuit of SFM at the country level. They seek to foster inter-sectoral coordination and complement broader development goals. Nfps are an ideal vehicle for formulating climate change related forestry strategies, including for REDD. FAO helps countries in the development and implementation of nfps, including capacity building and the formulation of appropriate policy, legal and regulatory frameworks. This is done through FAO's regular programme, trust funds and through the National Forest Programme Facility, a multi-partner mechanism.

⁶ In the context of REDD, forest degradation constitutes a reduction in the carbon content of a forest or reduction in the capacity of the forest to sequester and store carbon.

⁷ Sustainable forest management (also including protected area management) addresses social, environmental and economic aspects and benefits of forest management and related needs of stakeholders to leverage sustainable development. The concept embraces on-site management as well as policy and institutional aspects of forests and forestry.

Global and regional sector outlook studies

FAO in collaboration with its member countries and other institutions have implemented a series of global and regional forest sector outlook studies, assessing the drivers of change and the long term scenarios of development. While the global outlook study forecasts the demand for wood and wood products, the regional outlook studies analyses region-specific issues relating to the future trajectories of sustainable forest management and what may happen in the context of the larger changes. Key factors like demographic, economic, political, institutional, environmental and technological changes are analysed, alternative scenarios identified and the implications of the different scenarios on the forests and forestry outlined. These global and regional outlook studies along with the various background documents could provide a good framework to analyse the regional and country level potentials and constraints in implementing climate change mitigation measures like REDD.

Facilitating forest law compliance and good governance

Weak governance and lack of law compliance in the forest sector constitute disincentives for SFM, thus contributing to deforestation and forest degradation. FAO is assisting 40 countries in developing and implementing strategies and appropriate measures to combat illegal forestry activities by promoting best practices, enhancing stakeholder dialogue and fostering regional collaboration. “Best Practices for Improving Law Compliance in the Forest Sector”, published jointly with the International Tropical Timber Organization (ITTO) in 2005, served as a basis for regional dialogue in the Amazon region, Central Africa, Central America and Southeast Asia involving 35 countries.

Implementing best practices for sustainable forest management

FAO leads the development of strategic policy tools facilitating multistakeholder processes for implementing SFM, including the following that are directly relevant to REDD:

- Codes of practice for forest harvesting developed for Asia (1999) and Africa (2005). National codes, adapted from the Asian code, have been developed in Laos, Myanmar and Cambodia.
- Voluntary guidelines for fire management (2006)⁸
- Voluntary guidelines for responsible management of planted forests (2006)
- Case studies and best practices in forest management

The guidelines encourage multi-stakeholder participation in policy dialogue, strategic planning and integrated actions across stakeholder groups, sectors, disciplines and landscapes and at the national, sub-national and field levels. FAO is providing technical support to countries to strengthen their capacity and capability in the identification, prioritization and implementation of key actions in SFM, including fire management, management of planted forests and integrated management of forested watersheds. FAO’s long-standing and extensive field programme encourages the implementation of best practices.

Improving livelihoods through forestry

Lack of alternatives for the millions of forest-dependent poor people, including indigenous groups, often leads to unsustainable land use practices resulting in deforestation and forest degradation. FAO is promoting pro-poor policies, and the inclusion of forestry in national poverty reduction strategies. FAO’s support to small scale forest enterprises in more than 20 countries helps poor communities and local groups generate income from forests, thus providing them with an incentive to manage them sustainably. An important precondition is secure forest tenure. FAO is making the case for more

⁸ The Fire Management Actions Alliance was established by 40 founding members at the 4th International Wildland Fire Conference in May 2007 to facilitate implementation of the voluntary guidelines and enhance international collaboration in for fire management. A similar mechanism is being considered for planted forests.

diversified tenure systems that enhance access to forest resources by local communities' forest managers and sustained economic benefits from their sustainable management.

Forest monitoring and assessment and reporting

Monitoring forest carbon is necessary to design and follow-up climate change commitments in forestry. Considerable synergies can be achieved by integrating carbon monitoring requirements in overall forest inventory and monitoring efforts that address the full range of goods and services from forests. FAO has two major programmes working at country and international levels.

National forest monitoring and assessment

FAO works with countries to support national forest monitoring systems for cost-efficient collection of robust, reliable and validated information on forest resources, and promote the use of the information in national decision-making and policy dialogue, such as national forest programmes. This includes information needed for forest carbon monitoring, as well as for forest management adaptation to climate change. Since 2001, FAO has worked with over 50 countries in defining, establishing and/or implementing national forest inventories. The programme includes considerable capacity strengthening and south-south collaboration, which will assist countries not only report to UN conventions and to the global Forest Resources Assessment, but will also better enable them to address REDD-related carbon monitoring needs.

Global forest resources assessments

FAO has carried out global forest resources assessments (FRA) at 5 to 10 year intervals since 1946. Data are now compiled on more than 100 different variables covering 20 key topics related to the status and trends of forest resources and forest goods and services. Building national capacities is a crucial part of this process. In conjunction with FRA 2005, FAO organized global and regional training workshops and assisted more than 170 countries to report on changes in forest area, biomass and carbon stocks, following established international standards.⁹ FAO will follow the same approach for FRA 2010. In addition, FAO is setting up a system for global monitoring of forest and land use changes through remote sensing aimed at substantially improving the knowledge on land use change dynamics, addressing international information requirements on forestry. Using a participatory process, the capacities of countries to determine historical trends in deforestation rates and to monitor future rates using a common framework and methodology will be considerably strengthened thus enabling them to take advantage of current and potential future mechanisms under the UNFCCC and the Kyoto Protocol.

3. FAO'S INSTITUTIONAL STRUCTURES AND MECHANISMS AVAILABLE TO FACILITATE REDD PROGRAMMES

Various structures and mechanisms of FAO can be used to support REDD readiness actions, including:

- Global and regional technical networks on forestry thematic issues (e.g., wildland fires, invasive species, forest resources assessments, etc.)
- Programmes in various sectors and on cross-cutting issues (i.a., agriculture, economic and social development, climate change, bioenergy, biodiversity), which enables FAO to address intersectoral issues

⁹ The good practice guidance for land use, land use change and forestry of the Intergovernmental Panel on Climate Change (2003).

- Extensive geographical presence (five regional offices, nine sub-regional offices, five liaison offices and 74 country offices), which can support action worldwide and at various levels
- An active network of forest resources assessment specialists in 175 countries
- Committee on Forestry and six Regional Forestry Commissions, which meet biennially and facilitate global and regional discussion and intra-regional cooperation on key forest issues
- Partnerships at national, regional and global levels to enhance multidisciplinary and participatory approaches
- Databases and information repositories covering a wide range of topics relevant to REDD
- Communication mechanisms (web, publications programme, journals)

4. FAO'S ACTION PROGRAMME IN SUPPORT OF REDD

FAO, through its programmes described above will provide assistance to countries in their REDD efforts. The current or planned activities are summarized below.

Support for forest and forest carbon monitoring

FAO will continue to provide a comprehensive response to the needs related to forest carbon assessments, drawing on its global and national assessment efforts, as follows.

- Through a global remote sensing survey undertaken as part of the global Forest Resources Assessment 2010, generate baseline information at the global, biome and regional levels on the status of forest area and trends in the rate of deforestation over the past 30 years (including satellite data from 1975, 1990, 2000 and 2005). This activity will provide capacity strengthening to national teams and involve all countries in the interpretation of the remote sensing imagery. This initiative is expected to form a pilot for the establishment or strengthening of national remote sensing based monitoring systems in developing countries. It will also help identify the major causes of deforestation in different regions over time.
- A series of regional and sub regional workshops will be held to train the 175 officially nominated national correspondents to the FRA process on how to report on forest area change and changes in carbon stock in forests using the latest IPCC Good Practice Guidance.
- A “special study” on forest degradation will identify different parameters of forest degradation and best practices for assessing these and facilitate the sharing of practical experiences between countries.
- Through its programme on national forest monitoring and assessment (NFMA), FAO is a partner with countries in carbon stocks monitoring, which is being intensified to meet the needs for REDD monitoring. NFMA will be a critical component of any carbon monitoring or REDD initiative. FAO is currently providing support for national forest monitoring and assessment to 13 of the countries that have indicated interest in being involved in the FCPF. The number of countries could be expanded.

Support for development of national REDD strategies

Working through FAO programme for forest policy support as well as through the National Forest Programme Facility, hosted by FAO, the organization intends to assist countries carry out the following:

- Drawing on existing information to the extent possible, identify the major causes of deforestation and forest degradation, identify sources of forest emissions, and analyze the opportunity costs of alternative land uses

- Analyzing the best practices guidelines and other management tools applicable to effort to reduce deforestation and forest degradation
- Using the above mentioned analyses, and working through NFP processes, develop a national REDD strategy that is consistent with national policies and international commitments. The strategy would identify major actions in applying best practices to be taken and priority geographic areas for action, costs for implementing the elements of the REDD strategy; incentive systems (including through policy measures, investments and financial incentives); mechanisms and sources for financing the REDD activities; identification of actions needed in other sectors and mechanisms to ensure intersectoral coordination and complementarity; and monitoring and assessment of the effectiveness and impacts of the REDD strategy
- Strengthen stakeholder consultations that would contribute to the development of a national (or sub-national) REDD strategy(ies) and to the establishment of a national reference scenario for REDD.
- Increase the capacity of forestry departments and other relevant stakeholders to engage effectively in REDD negotiations and related actions at international level, and to undertake effective action on REDD at national level.

Forest sector awareness and capacity strengthening

In many countries, the forest sector has not been adequately aware or engaged in negotiations on climate change and forests, including related to REDD. Climate change is on the agenda of all six of FAO's regional forestry commissions meetings in 2008, and special sessions were organized in conjunction with the Africa and Near East Forestry Commissions (a joint meeting) in Khartoum, 17-21 February and the Asia and Pacific Forestry Commission in Hanoi, 21-26 April, and also will be at the European Forestry Commission in Rome, 20-24 October.

FAO welcomes partners and funds to organize a series of regional meetings in 2009 to brief forestry departments and other stakeholders in developing countries on developments/discussions of methodological issues related to REDD and the key forest-related issues for negotiation at COP15 (Copenhagen, December 2009). The objective is to increase the ability of forestry departments and other stakeholders engage more effectively in the discussions at country level of the countries' positions on REDD and on the post-2012 climate change regime under UNFCCC.

5. WORKING WITH PARTNERS FOR COORDINATED REDD SUPPORT

UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

FAO, UNDP and UNEP are embarking on a joint programme to provide coordinated REDD support to countries, as consistent with the "One UN" approach. The Joint Programme will provide support for REDD-readiness actions and implementation of REDD strategies. The agencies are discussing both with the Coalition of Rainforest Nations and the World Bank's Forest Carbon Partnership Facility to ensure optimum response to countries' needs and that it and the Joint Programme and FCPF are mutually supportive.

Collaborative Partnership on Forests' Strategic Framework on Forests and Climate Change

In April 2008, the 14 members of the Collaborative Partnership on Forests agreed to develop a "CPF Strategic Framework for Coordinated Response of the Forest Sector to the Climate Change Agenda." This is intended to contribute to a comprehensive and integrated vision and approach to the international discussions, increased assistance to national and local action on forests and climate change issues, and to coordinated support from the CPF members. CPF members requested FAO to take the lead in coordinating the development of the strategic framework. It is expected that this will

be available in time for the UNFCCC COP 14 (December 2008), but also be provided to FAO's COFO meeting (March 2009), UNFF 8 (April 2009), as well as meetings of the governing bodies of other CPF member organizations and be used to facilitate coordinated action plans among the CPF members.

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Item 8. Planted forests in the world

FAO recently finalized its *Global Planted Forests Assessment 2005*. The results will be published soon, and a paper is presently under peer review for printing in the *Forest Products Journal* later this year. The abstract for that paper is as follows:

Planted forests constituted only 7percent of the global forest area, or about 271 million hectares, in year 2005, but they contribute a higher proportion of overall forest goods and services. In recent years, the significance and importance of planted forests have been recognized internationally, and standards for their responsible management have been established, relating to social, environmental as well as economic benefits. As one of the important provisions from planted forests, this study examines the future supply of wood. From a baseline survey of 61 countries, 666 management schemes were established, taking into account tree species, rotation lengths, production potential and end uses of wood. With an average efficiency rate of 70percent, the potential industrial wood supply in 2005 from planted forests was estimated at 1.2 billion m³ or about two thirds of the overall production in that year. Scenarios until 2030 (detailed) and 2105 (simplified) were developed, indicating that wood supply from planted forests may increase considerably. Results are provided with breakdowns by region, species groups and end use categories. It is concluded that the significance of planted forests, and recognition of their contributions to a range of development goals, are likely to increase in coming decades.

In view of the forthcoming publication, no written document will be provided at this time. However, a presentation will be made to the participants at the ACPWP session and a CD with the data sets will be distributed.

Item 9. Summary of country reports, including the social impacts of forest industries

The following is a summary of the main emerging issues and business developments that the wood and paper industry is facing around the world, as described in the country briefs prepared by ACPWP members.

The country reports mostly focus on the economic situation of the industry for the year 2007, but also cast a light on national and regional policy developments and trends, as well as social aspects. Some country reports also cover social aspects of the industry.

The ACPWP members were asked to report on the following questions:

1. What are the emerging issues facing the industry in your country?
2. What are the most important business developments within your industry over the last year?
3. Formal and informal employment generated by the paper and wood products industry.

4. Trends and status of the benefits generated by industries in: contribution to rural and urban development, health, education, poverty alleviation, training and professional upgrading; cultural, local community and indigenous support; environment, sports, recreation, etc.
5. Trends and status of the Corporate Social-Environmental Responsibility (CS-ER) policies of the industry (common, uncommon but growing, still relatively unknown).

Most of the country reports reply to the first three questions and provide important information. The two questions dealing with the social contribution and the trends in Corporate Social-Environmental Responsibility (CS-ER) within the industry were not easy to answer, either for countries or for FAO or ILO (which is the UN agency specializing in labour and employment aspects). Nevertheless, the country reports and a summary on “Employment in the Forest Products Industry”, prepared by the Forest Products and Industries Division, attempt to provide some general information on these points.

Emerging issues facing the industry

In addition to economic challenges, during 2007 most countries faced challenges relating to climate change, emissions trading schemes, water, certification/codes of conduct, energy markets and aspects involving corporate social responsibility.

Climate change

Awareness of the significance of climate change within the industry and the general public is reported as increasing in all member countries. Australia ratified the Kyoto Protocol in November 2007. Consequently the Australian government has begun preparing an action plan to provide a national strategic framework for industry decision making and business planning in the area of climate change management. This will allow the industry to respond to climate change through mitigation and adaptation. The plan includes sectors like tree planting for commercial purposes, native forest management and processing facilities. The European forest based industry will need to conform to an action plan released by the European Commission in 2007, requesting ambitious and binding targets concerning the reduction of GHG emissions, energy efficiency gains, a 20 percent share of renewable energies and a 10 percent bio-fuels target, to be accomplished by the year 2020.

Emission Trading Schemes

Closely related to climate change issues are the concerns of the European pulp and paper industry and also that of some other countries regarding large scale emission credits auctioning planned for the period after by 2013 in the EU. Some countries and regional organizations predict that this will lead to market imbalances.

Water

Some countries, including Australia, have faced their worst droughts in recent years with a significant impact on water allocation and forest plantations. But even in countries with sufficient or increasing water supply, the debate on industry’s impact on water quality is emerging. In particular, intensive farming operations with their high nitrogen discharge levels are held responsible for negative impacts on the water quality.

The gravity of forest fires is closely related to the availability of water. Due to a rainy summer in Portugal in 2007, previous heavy losses of forest plantations due to fire did not recur. (In recent years, Portugal alone lost more than 500 000 hectares of forest plantations.)

Certification

Independent, third-party certification has continued to grow in many countries. New Zealand reported that over half of the country's forest plantations are now certified. Germany reported 100 percent of the wood supply and 75 percent of the pulp supply as having proofs of origin, documenting that the resources are from sustainably managed forests. In Australia, two thirds of the forest plantations are certified. It is hoped that this positive trend will improve the image of the industry, convincing the general public that industry is managing and using the forest resources in a responsible and environmentally friendly manner.

India has reported difficulties faced by industry relating to forest certification. The bulk of the raw material is obtained from small farm and agro-forestry holdings, with tens of thousands of private owners, and it seems to be practically impossible at present to get these smallholdings certified.

Energy market

Due to high energy costs and political directives at national and regional (EU) level, growing competition between use of wood for industrial processing and for energy is giving rise to concern about availability and accessibility of wood at reasonable market prices. It is estimated that in the EU alone an annual gap in the supply of wood could amount to 260 million cubic metres of roundwood by the year 2020.

Industry therefore proposes the mobilization of all wood resources available and, in addition, the establishment of fuelwood plantations for energy generation.

To ensure that sufficient wood resources are at the disposal of the processing industry, some countries now request codified priority settings in favour of wood for the production of wood based products.

Corporate Social Responsibility

Corporate social responsibility has been defined as the ethical behaviour of a company towards society, in recognition of the fact that not only shareholders, but multiple stakeholders, have a legitimate interest in the activities and performance of a business and that companies need to be responsive to their concerns.

This public interest is increasing and is being addressed by certification schemes and national initiatives. Important steps forward have been made in many countries, in particular those countries with a significant indigenous population, in order to increase involvement in the forest industries sector. This includes changes in land ownership and business and employment opportunities.

Business developments

Economic situation

On the one hand, energy and raw material costs were reported as hampering overall economic development in most countries, having a significant impact on production and distribution. This also includes a general increase in operational costs, such as labour. On the other hand, the production of paper products increased in most of the member countries.

Long-term trends suggest that the pulp and paper industry will continue to be a growth sector, although there will be shifts among countries. Demand for paper products will accelerate due to rapidly developing economies.

Changes in taxation systems and restrictions related to carbon trade lead to uncertainties and could disrupt current market structures in favour of industries with lower standards. The supply of softwood to North America, Australia, and New Zealand has remained stable, but consumption is now slowing down since housing markets, especially in the US, are undergoing a significant correction due to the financial crisis. An oversupply in these markets is expected to remain for the next few years to come.

EMPLOYMENT IN THE FOREST PRODUCTS INDUSTRIES

SCOPE, METHODS, SOURCES

This study focuses on formal employment in the forest industry sector during the period 1997-2006. It includes manufacture of wood and of wood products as per ISIC classifications (International Standard Industrial Classification of all Economic Activities). Data used mainly originate from the International Labour Organization (ILO) and the United Nations Industrial Development Organization (UNIDO).

Formal employment generated by the paper and wood products industry was analysed, as were global employment trends in 35 countries¹⁰. Gender was included in the analysis.

MANUFACTURING (classification)

Division 20: Manufacture of wood and of wood and cork products, except furniture; manufacture of articles made of straw; and planting materials

Group 201: Sawmilling and planing of wood

Group 202: Manufacture of wood, cork and straw products, and plating materials

Class 2021: Manufacture of veneer sheets; manufacture of plywood, laminboard, particle board and other panels and boards

Class 2022: Manufacture of builder's carpentry and joinery articles

Class 2023: Manufacture of wooden containers

Class 2029: *Manufacture of other wood products; manufacture of cork and straw articles, and plating materials*

Division 21: Manufacture of paper and paper products

Group 210: Manufacture of paper and paper products

Class 2101: Manufacture of pulp, paper and paperboard

Class 2102: *Manufacture of corrugated paper and paperboard and of containers of paper and paperboard*

Class 2109: Manufacture of other paper and paperboard articles.

Division 36: Manufacture of furniture; manufacturing n.e.c. (not elsewhere classified)

Group 361: Manufacture of furniture

Class 3610: Manufacture of furniture

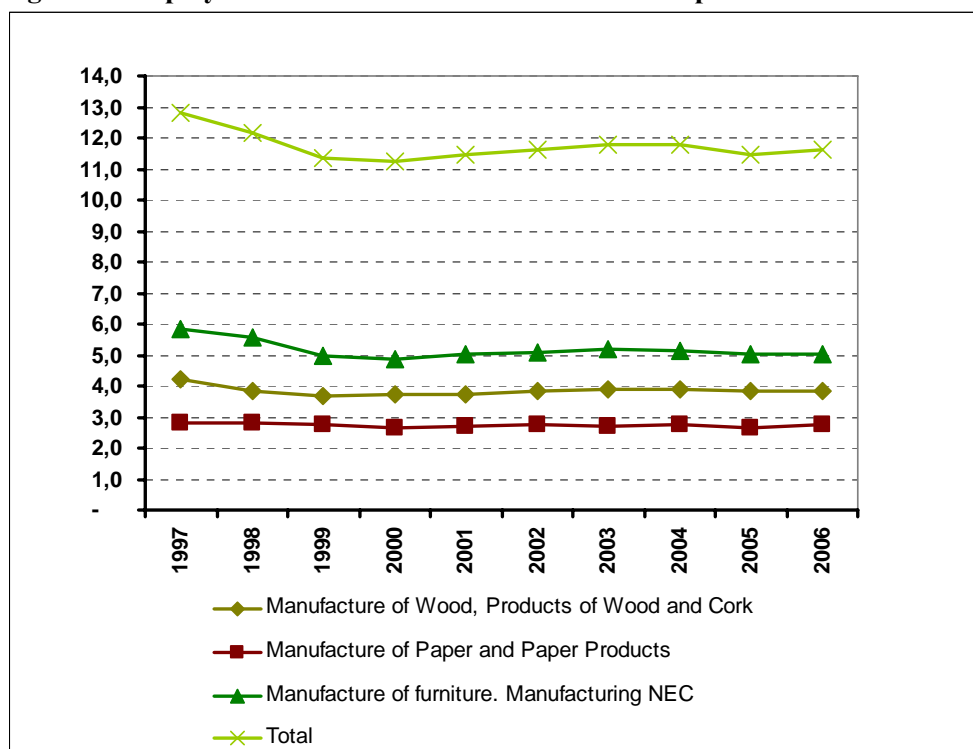
EMPLOYMENT IN THE FOREST INDUSTRIES

Across the world, forest industries mainly generate formal employment. Some sub sectors of the industry, however, are related to the informal economy and thus provide informal employment. Since logging includes harvesting of fuel wood and wood for personal consumption, it contributes significantly to the informal economy and employment. In 2006, around 11 million people were

¹⁰ The ILO database does not present data on manufacturing wood, paper and furniture products in South Africa, Chile or Malaysia from the 35 countries chosen for the study. In the meantime FRA (FAO 2005) data is available for this group of countries for the year 2000. In **South Africa** the number of people employed in the forestry sector was 321,000 by the year 2000 (66 000 in the production sector and 255 000 in the Forest Service, FRA 2005). In **Malaysia** forest sector employment amounted to 67 000 people (2 000 in the Forest Services and 65 000 in the production sector) and in **Chile** the people working by 2000 corresponded to 40 000 persons by the Production sector and 13 000 in the Forest Services.

employed in the manufacture of paper and wood products in the 35 countries¹¹ selected. However, employment in this sector continues to decrease, particularly in the case of furniture manufacturing. On the other hand, employment in the manufacture of paper and paper products has slightly increased during recent years (See Annex 2 and Figure 1).

Figure 1. Employment in Manufacture of Wood and Paper Products



Source: ILO database and others

It can be observed from Figure 1, that rapidly changing trends in one single country have a significant impact on global trends in forestry sector employment. In China, the number of people employed in forest industry dropped sharply, from 3,2 million people in 1997 to only 1,3 million people in 1999. In view of the social importance and relevance of forestry sector employment in this country, this dramatic loss of employment in such a short period represents a considerable social challenge.

In the late 1990s, the Chinese government began implementing an environmental protection initiative, which resulted in a logging ban on more than half of the area of national forests in the country. Following this, in 1998 alone, 30 percent or nearly 1 million people working in the forest service and the forest products industry lost their jobs due to heavy supply gaps at small and medium sized wood processing facilities, which had to close down. This reduction alone accounted for much of the fall in employment at the global level in 1998 and 1999 (FAO, 2004).

Contribution of manufacture of wood, furniture and paper sub sectors to the total employments

In the current prevailing dialogue on development, economic growth is emphasised as the most important driver of poverty reduction. However, the role of the forestry sector in lifting significant numbers of people out of poverty by contributing to employment generation, trade and economic growth is remarkably poorly

¹¹ Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, France, Finland, Germany, Hungary, India, Indonesia, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Poland, Peru, Portugal, Romania, Russian Federation, Slovak Republic, South Africa, Spain, Sweden, Switzerland, United Kingdom, United States of America., Austria, Belgium, Czech Republic, The Netherlands, Norway, Poland, Slovak Republic, Spain, Switzerland, U.K., India, China, Indonesia, Peru, Romania, Canada, Chile, Malaysia, New Zealand, South Africa

analysed. Forest industry’s role in many economies is certainly significant – it provides 10 percent or more of the GDP of some of the poorest countries and 5 percent of GDP for many other developing countries (Steele and Kragt, 2006). For all developing countries, the average forestry share in measurable GDP is around 2 percent, and forestry’s share of exports is about 3 percent (FAO, 2005).

Annex 2 presents more information about the contribution of wood, furniture and paper manufacturing to employment in the 35 countries selected for the study. It shows that the industrial forestry sector’s contribution to the economically active population is around 1 percent in a majority of countries. In some countries, however, such as Canada, Italy, Netherlands, New Zealand, Norway, Poland, Russian Federation, Spain, Switzerland, United Kingdom, the industrial forestry sector contributes slightly more, corresponding to 2 percent of the economically active population.

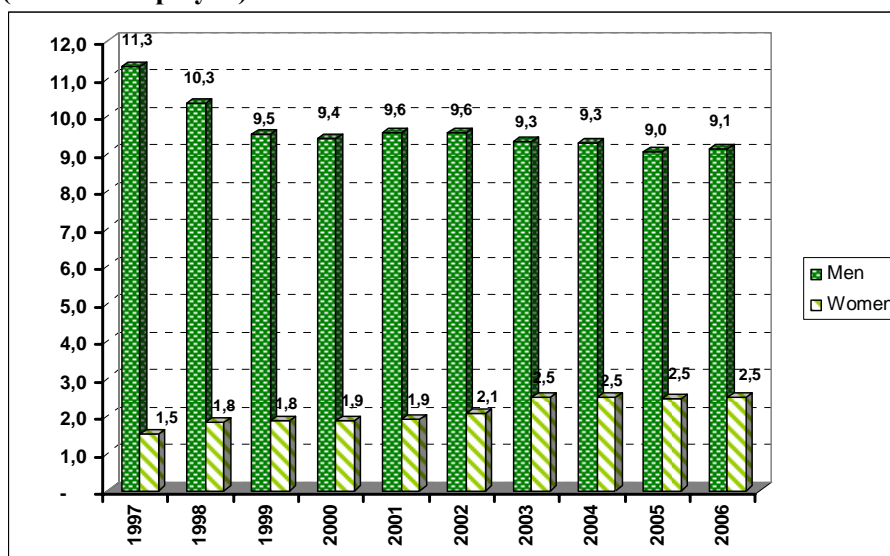
In Austria, Czech Republic, Finland, Portugal, and Slovak Republic, forestry industry significantly contributes to total employment, corresponding to about 3 percent of total employment. This contribution exceeds that of other European countries, and of the world as a whole. In some countries, such as Mexico, Norway and United States, the percentage has decreased from 2 to 1 percent over the last few years.

Gender

Data on employment in manufacture of wood, furniture and paper, by gender, were reported by 28 of the 35 countries analysed. In most countries, women account for 20 percent of the jobs (Figure 2). In Czech Republic, Italy, Romania, Russian Federation, and Slovak Republic a larger share (up to 30-40 percent) of female employees is reported, although female employment in the Slovak Republic has decreased in recent years.

In most of the countries, furniture manufacturing employs the highest percentage of woman compared to other sub-sectors. In some countries like Czech Republic, Mexico, Peru, Russian Federation and Slovak Republic, however, it is the manufacture of paper products, which employs a higher proportion of women. Interestingly, all countries, except Romania, Slovak Republic and United States report an upward trend in the share of women employed in the wood, paper and furniture sectors (See Annex 3). Between 1997 and 2006, the difference between male and female employment was decreasing. During this period, the percentage of women went from 12 to 21 percent of the total economically active population for the 28 countries analysed. The gender gap in labour force participation could be seen as another indication of women’s more limited chances to take part in the world of work.

Figure 2. Employment figures for the wood, paper products and furniture manufacturing sector (millions employed)



Source: ILO database and others

Figure 3 presents 32 countries' manufacture of forest industries state by 2005. This shows that Brazil, China, Russian Federation and U.S.A., have the highest number of employees in the forest industries sector as a whole. Manufacturing of paper and paper products is significant in Russian Federation and the U.S.A. while furniture manufacturing employs greater numbers of people in Brazil and China.

Figure 3. Forestry Manufacturing Industries

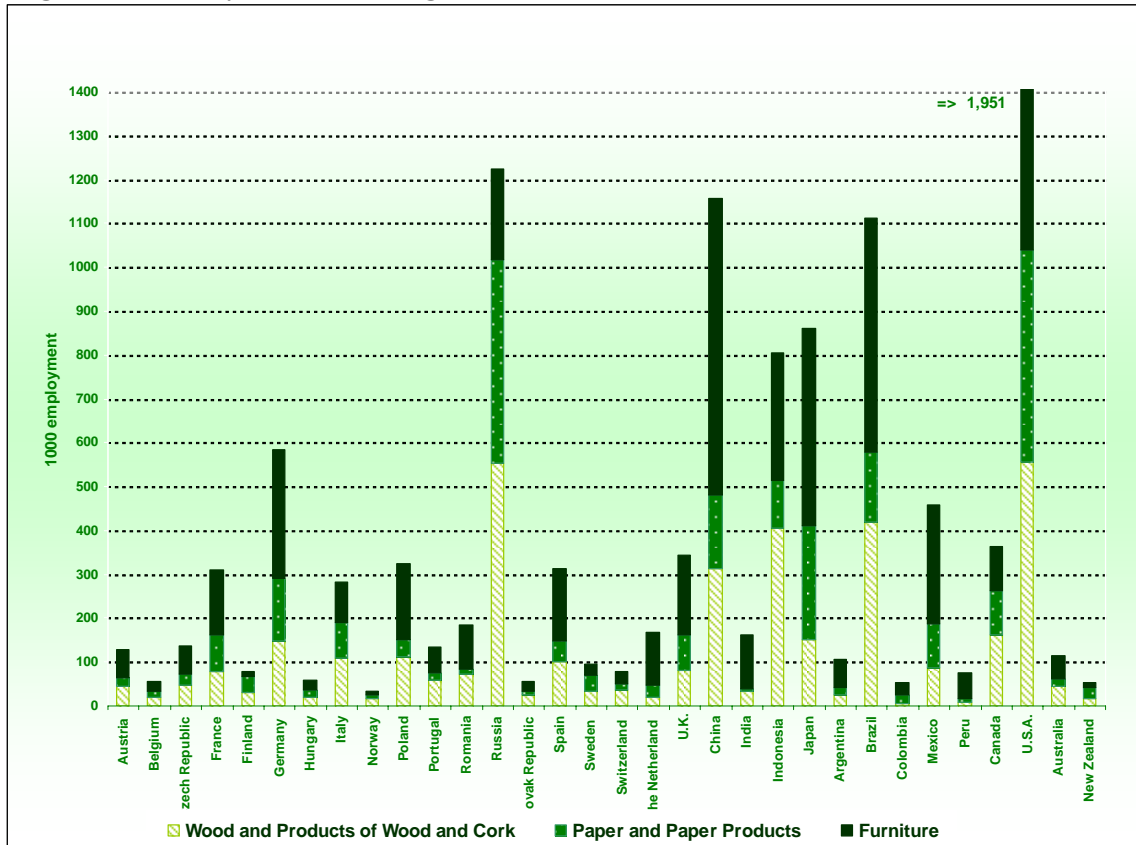
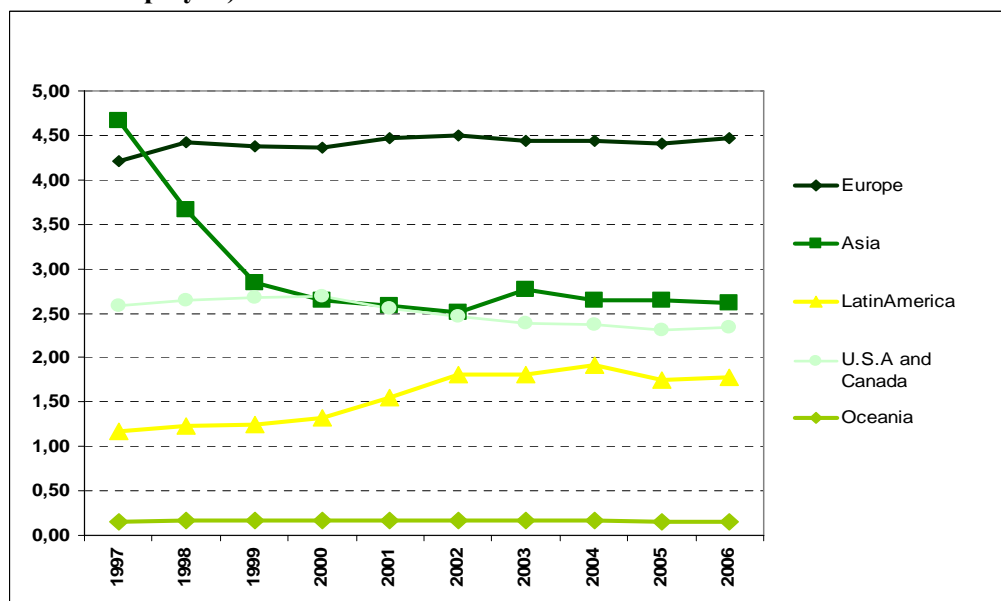


Figure 4. Employment in manufacture of wood, furniture and paper products by region (millions employed)



Source: ILO database and others

The figure above shows some interesting and important differences between regions (considering the 35 countries analysed, for Africa no data are available). Africa still suffers

The figure above shows some interesting and important differences between regions (considering the 35 countries analysed, for Africa no data are available). Africa still suffers from a significant lack of industrialisation and general development, due to a variety of political, economic and structural problems(except South Africa, where the sector is growing steadily) (FAO, 2004).

Employment in the sector is declining in Canada and U.S.A. but this is largely due to the substitution of capital for labour. The only countries in Europe which have increasing number employment in the forest industry sector are Poland, Romania and Russian Federation, thus influencing last year's trend in Europe slightly. Latin America and Asia are the only two regions where the forest industry sector has been expanding on all fronts over the last decade. This expansion has been driven by various factors, including abundance of cheap skilled labour, relatively abundant forest resources, high rate of economic growth, specific policies to encourage development and investment in the sector and a general improvement of the investment climate.

CONCLUSION

When comparing regions, the contribution of the forest products manufacturing industry to employment is relatively more important in Canada, Europe, and the U.S.A. This is partly because of the employment generated in the forest processing sector, which is generally less significant in the developing countries. The forest industries sector has grown in Latin America and remained about the same in the other regions. In the developed regions and in Eastern Europe, the amount of employment in the sector has declined.

It is difficult to present employment data on the collection of woodfuel and non-wood forest products related to the generation of employment and value-added activities in the informal sector. Additional work on the contribution of the informal forestry sector activities would give a much better and more balanced picture of the importance of the forest industrial sector at the global, regional and country levels. For many developing countries, these informal activities are significant but not always captured in published statistics. Therefore, it is probably correct to state that the figures presented here only cover activities in the "formal" forest industries sector. The contribution to employment of these activities does not reflect the real contribution to the society, since indirect employment is generated by forest industries, including the sub sectors of wood industries, pulp and paper and furniture industries. The forest products industry is a driving partner in many other industries, including vehicles, information technology, telecommunications, transport, chemistry, energy, technique and installations, mechanics, building, bank and finance, graphics, packaging, biotechnology, nature and tourism, environment, and consulting.

Forest industries create many jobs amongst suppliers and in the pulp, paper and sawmill industry. In countries such as Sweden, the industry is involved in local, community activities (shareholders and board members in local development companies, ports, research councils, universities and research institutes, local and regional Chambers of Commerce, property owners and landlords, cultural and sports sponsorship).

SUMMARY OF COUNTRY REPORTS

Even though the **Australian** country report mentioned that 83 000 people are directly employed in the Australian forestry and logging industry, ILO data showed a higher number, 113 200 people in 2006. A significant part of the territory depends on the timber industry. It was furthermore mentioned that a memorandum of understanding with the indigenous community and a National Indigenous Forest Strategy has been endorsed.

Brazilian companies are addressing social environment responsibility with determination. Generating 110 000 direct jobs and 500 000 indirect ones, the sector has a history of social actions for employees and communities. ILO database shows that around 1 million people are employed in the manufacturing wood, paper and furniture sectors. In 2007, social environmental responsibility contributions undertaken by companies reached around US\$ 585 million, spread amongst health, economic development, professional training, education, sports and culture, community support, forest fostering programmes, environment preservation and control, salaries and social taxes, among others.

Finnish forest industries accounted for 77 000 people in direct employment in 2007 (ILO database). The national report explains that Finland employs, directly and indirectly, almost 200 000 Finns and that in Finland one in ten Finns makes a living either from forest industry (pulp and paper industries in addition to the wood products industries) or from the sectors that serve the industry.

France highlights the importance of the pulp and paper industry, which generates many indirect jobs and regarding CSR it was cited that at international level companies are incorporating Corporate Social Responsibility policies and reports.

Although **Germany** accounts for around 600 000 jobs in the forest industries in 2006 (ILO database) the country report did not mention the employments generated by the forest industries. It was stated that the European Pulp and Paper Industry Federation had adopted its code of conduct against illegal logging, relating this subject with corporate social and environmental responsibilities.

Forest Stewardship Council (FSC) certification is becoming a non trade barrier for Indian paper companies. As the bulk of the raw material is obtained from farm and agro- forestry, the farmers (huge numbers, running into hundreds of thousands with smallholdings) find it practically impossible to form groups and obtain the FSC certificate. Though farm forestry is a sustainable model promoted by the paper industry, the FSC principles and criteria are difficult to be met. To find a solution for this, the Government of India is considering establishing a specific Indian FSC scheme I to support the process of certification.

Forestry and sawmilling employ approximately 20 000 people in **New Zealand**. There is potential for the current harvest of approximately 18 million cubic metres to increase by at least a third and this would result in expansion in all sectors of the forest industry according to the country report. Again the ILO database gives a much higher number, 35 000 in 2006. New Zealand's report mentioned the Environmental Code of Practice which was developed at the same time as the FAO Code of Practices for Planted Forest, now called The Planted Forests

Voluntary Guidelines. In addition, information supplied from NZFOA FSC certificate holders in New Zealand shows that around 50 percent of the volume produced by forest growing companies is currently captured by an FSC Chain of Custody. The group of “certified” plantation managers has formed an FSC cluster to co-operate on FSC issues of common interest. It has already funded, and will continue to fund, industry activities related to certification. The cluster is supported by NZFOA. The sector also has an indirect multiplier effect on supplier-industries via its purchases, and consumption-industries via forestry wages/profits being spent. Plantation forestry in New Zealand has provided particular benefits for Maori people who are significant, and increasing, owners of forests. From the 1960's, the Maori found themselves owners of large areas of relatively unproductive land that was not suitable for farming. Financial reserves for development of the land were limited and Maori land was not eligible to be used for security to raise capital for investment. There was also a significant and on-going drain of young Maori from the rural lands to the urban centres.

Portugal reported around 260 000 people in employment by 1994-95 while the data from ILO showed that paper and wood products manufacturing sector employed 131 000 people. This figure is similar to the data given by the wood and furniture sector for those years. The Business Council for Sustainable Development (BCSD – Portugal) was set up in 2001, at the initiative of the three

companies which, at the time, were members of the WBCSD - World Business Council for Sustainable Development (of which two were linked to the forestry industry). The aim of BCS – Portugal is to turn business leadership into a catalyst of change towards Sustainable Development and to promote eco-efficiency, innovation and social responsibility within companies. Today, with more than 100 members from among the largest national companies, BCS–Portugal brings together some of the most important companies in the wood-pulp, paper, cork and wood-board industries. The traditional activity of importing tropical woods represents a very specific exception, and in this area there have been growing concerns about combating illegal logging. One of the visible outcomes of corporate social responsibility policies is the adhesion of some of the largest Portuguese forest based industries to the Business & Biodiversity initiative promoted by the European Union and the International Union for the Conservation of Nature (IUCN), with a group in the paper industry having even subscribed to the Countdown 2010 Initiative to halt biodiversity loss until 2010.

Russian Federation represents over 20 percent of the global total and is the single largest national forest resource. The potential for increasing felling in the framework of sustainable forest management is clear. Further, Russian Federation has well educated, low-cost labour resources. Both factors could attract investment into the Russian Federation forest sector. Employment in forest industries accounts for 2 percent of the economically active population, and is increasing.

CEPI estimates the direct employment in the paper industry to be 259 100 jobs and indirectly 1.8 million jobs. 63 percent of the jobs are located in rural areas.

The **EU** considers establishment of a “green label” to halt illegal imports of Amazon timber. According to O Estado de São Paulo, the European Union (EU) intends to tighten its timber import laws by creating a mandatory label valid in the 27 member-countries that prove the legal origin of imported timber products. Illegal logging in the Amazon varies between 50 percent and 80 percent. According to the Amazon Institute of People and the Environment

(Amazon), 36 percent of timber harvested in the Amazon is exported. The main market for this timber is Europe, which receives about 47 percent of Amazonian timber, according to the Ministry of Development. EU data on the timber industry indicates that timber smuggling causes an annual loss of US\$15 billion in uncollected taxes to exporter countries.

For the timber importer, the main idea behind the label is to present chain of custody information from the country of origin to the manufacturer of the final product. The system aims to track down the timber’s origin and reward importers and exporters that comply with natural resources protection and management laws. Today, forest certification is voluntary and control is not always clear to environmental authorities. According to FSC Brazil, which applies a ‘green label’ for good environmental practices, it is hoped the new EU label will encourage companies to work legally. The percentage of certified forests has grown, but is still small in Brazil. Monitoring will not be an easy task. Europeans are considering sending missions to exporting countries to set control systems. There is a conviction that exporters will always manage to break the rules until importers clearly show that they will no longer tolerate illegal practices. The European Commission’s proposal, which will be presented by late May 2008, is likely to take several months before being adopted, since all 27 EU member-countries must review the proposal. Brussels counts on the support of France, which will hold the EU presidency from July 2008 on. France stated that it would support the proposal, especially after the pressure from environmental organizations.

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