



The impacts of COVID-19 on the forest sector: How to respond?

CONTEXT

This brief highlights some of the identified and perceived impacts of the COVID-19 crisis on development aspects interconnected with the forest sector, with a particular emphasis on the impacts on the production and trade of forest products. It proposes a series of recommendations as a basis for policy development in the aftermath of the crisis, and highlights potential opportunities to leverage the progress achieved so far, to ensure that decades of advances are not reversed.¹

Although the forest sector is traditionally seen as more resilient (harvesting cycles are longer than other commodities), the multi-faceted contribution of the sector to broader development targets bears testament to the central role forests will play in social and economic recovery in the aftermath of the crisis.

Forest products, including non-wood forest products continue to support livelihoods throughout the crisis while delivering essential items, such as hygiene and sanitary products, biomass for heating, ethanol for sanitizer, respirator paper and packaging for parcels.

KEY MESSAGES

The international community must pay due attention to the role that sustainable management, use and conservation of forests play in securing livelihoods, ensuring that the rights of vulnerable communities are upheld, and that progress towards achieving climate change and sustainable development targets is not reversed.

1. The negative impacts of the COVID-19 crisis on the production and trade of forest products **will put important livelihoods and industries at risk**, particularly forest-based industries that have achieved progress in providing sustainable products.
2. Maintaining momentum on halting deforestation and forest degradation and on restoring damaged ecosystems will be crucial to improving the climate resilience of ecosystems, reducing emissions from deforestation and enhancing rural livelihoods.
3. Reinforcing **efforts for more sustainable production and trade of forest products**, including by communities and producer organizations, is vital to building on progress made towards the 2030 Agenda for Sustainable Development and **achieving the Paris Agreement and the Sustainable Development Goals**.

¹ The present policy brief is based on information collected as of 7 April 2020. The proposed measures to respond to the crisis may evolve and change in the coming weeks.

IMPACTS OF COVID-19 ON THE FOREST SECTOR AND RELATED ASPECTS

Risks to social protection, including health and safety

Social safety nets are typically weak in developing countries, which often leads to increased unemployment, poverty and food insecurity. It is estimated that 80-90 percent of forest enterprises are small and medium forest enterprises (SMFEs) (Mayers, 2006), while approximately 75 percent of forest production is informal (FAO, 2014). Most SMFEs therefore do not have access to social benefits and economic incentives. Producer associations play a strong role in providing social protection as well as financial services, such as insurance and micro-credits.

The forest sector has high levels of rural to urban migration, particularly for young men and women; however, COVID-19 is leading to reverse migration, which has the potential to spread the disease to remote, unprepared areas. COVID-19 is also disrupting value chains to towns, cities and internationally for goods and services, on which members of forest and farm producer organizations depend to meet income needs.

Restrictions on physical activities will affect all aspects of forest production. Larger and formal producers are most likely to implement government guidelines but there is considerable risk that informal producers and processors will continue activities in order to ensure some economic returns. Those involved in such enterprises risk both spreading COVID-19 and, in some jurisdictions, heavy financial consequences for breaking the law.

At the operations level it is important to provide practical and simple information for both workers and supervisors on how to mitigate and prevent further spread of the coronavirus, or indeed any other agent causing contagious disease.

Impacts on forest-dependent livelihoods

It is estimated that micro, small and medium enterprises (MSMEs) account for over 50 percent of total forest-related employment, with approximately 40 million people employed worldwide in the formal and informal sectors (IIED, 2016; PROFOR, 2019). The majority of domestic market demand for forest products in tropical timber-producing countries is met by MSMEs, often dwarfing a given country's volume of timber exported. MSMEs from both developed and developing countries are highly vulnerable during an economic crisis, with lower capacity to delay their spending without earnings.

Disruptions to international trade and supply chains

Many developing countries are heavily dependent on international trade and sometimes on a single commercial partner. Recent developments in the timber markets, particularly after the 2008 crisis, increased dependency on Chinese demand. However, the COVID-19 pandemic is having a significant effect on production and consumption patterns. Notable impacts include: (i) the decline of exported round timber to China, resulting in some places in stockpiles of export products being built up; (ii) limited demand in typically strong markets such as Austria and Germany; (iii) export markets in France, Italy and Spain at a standstill; and (iv) a decrease in export incomes in developing countries. In particular, the least developed timber-producing countries may suffer directly from plummeting export volumes of roundwood and other wood products.

Shifting trade patterns in the January–February 2020 period

A preliminary analysis of trade data shows the following trends. In January–February 2020², major countries' imports/exports of wood and paper products (including furniture) declined ranging from 6 percent (United States of America) to 27 percent (Brazil), year-on-year. Among countries experiencing declines were: Chile (-24 percent), China (-20 percent), New Zealand (-17 percent), Republic of Korea (-16 percent), Japan (-14 percent) and Canada (-11 percent). Only two major countries increased their import/export over the same period: South Africa (+11 percent) and Turkey (+5 percent).

Moreover, trade requirements developed to stimulate legal timber production and promote sustainable forest management are potentially under pressure as national governments seek to provide stimulus packages for domestic industry to maintain income generation.

Environmental impacts

Findings from the Intergovernmental Panel on Climate Change (IPCC) 2019 report (IPCC, 2019) and a UN Environment Programme (UNEP) report on efforts to meet emissions targets (UNEP, 2019) indicate that efforts to date are significantly behind target and not at sufficient scale to impact global warming and consequent negative effects on poverty and food security. Furthermore, the potential for the COVID-19 crisis and the economic crisis that will follow to increase deforestation rates could represent a very serious setback to these international efforts.

Food insecurity and a decrease in household incomes tend to increase the reliance of smallholders on forests and forest products for subsistence, including medicinal plants and wildlife, which can result in overharvesting of natural resources. Following the COVID-19 outbreak, the use of wild plants and other herbal-based medicinal products around the world, is anticipated to increase. COVID-19 and the reverse migration from cities to rural areas due to lack of employment is also expected to put increasing pressure on forest resources through illegal charcoal production, conversion of forests to agriculture and other unplanned activities where legal livelihoods are lost.

There is a risk that stimulus packages (e.g. loans and incentives) for post-crisis responses might prioritize quick financial returns and employment over longer term climate and sustainability objectives and may exacerbate deforestation or forest degradation.

Low prices of oil and gas during the COVID-19 crisis also have an impact on the competitiveness of bio-based products. The price advantage of non-renewable resources (available for production at lower cost and with supply larger than demand) may slow down the transition towards a sustainable bio-economy and benefit cement, steel and industries based on oil, gas and coal. Markets that are lost in renewable and sustainable bio-based products during the crisis are very difficult to recover afterwards.

Reduced availability of public and private investment due to economic crisis may reduce efforts to transform production systems and put at risk ambitious public and private sector commitments to fight climate change.

² More accurate and recent data on trade disruptions will become available in early May 2020.

Negative effects on vulnerable communities, including women

Steady progress has been made to date to empower women by supporting their participation in legal and sustainable fuelwood and charcoal production. However, the COVID-19 crisis is expected to put increasing pressure on forest resources through illegal charcoal production, often involving women, where livelihoods based on legal activities are sacrificed in favour of quick economic gains. In some countries, restrictions on travel and movements may affect the transportation and trade of fuelwood (particularly charcoal) from production sites to market centres (mostly urban areas). This may affect reliable access to energy for cooking in urban areas.

Potential reversal of good governance and progress towards global development targets

While the immediate focus of the post COVID-19 response is likely to shift to livelihoods, this could result in increased rates of deforestation. Deforestation is linked to negative effects on the economic and social well-being of forest producers and forest-dependent communities, and has long-term implications for future livelihoods.

The crisis may also create an opening to relax law enforcement to the extent of enabling large-scale illegal activities and fraudulent practices, while attention is focused on immediate economic impacts. This risks undoing hard-earned achievements to increase legal and sustainable timber production and reduce deforestation both at international and national level. Furthermore, reduction of independent on-the-ground monitoring activities of forest resources might increase tenure conflicts and land grabbing.

OPPORTUNITIES AND RECOMMENDATIONS

To ensure that forest-dependent communities are protected

- **Support governments to connect forest beneficiaries with compensation measures** adopted for other sectors, in particular through the use of producer associations as delivery partners.
- **Design programmes combining poverty alleviation and environmental protection** such as employment in forest restoration and monitoring, expand cash transfer programmes through a combination of payments for ecosystem services, and facilitate improved access and use of wild/indigenous/local foods that are readily available.
- **Partner with the International Labour Organization, the World Bank and other relevant agencies** to create targeted instruments to allow producer associations to increase the provision of micro-credit and social protection services, fostering the adoption of resilient, integrated and sustainable production practices for agricultural and forest products.
- **Maintain a focus on legal and sustainable production for national industry incentive packages** and ensure that sustainable production is economically viable (i.e. requirements are not so costly that MSMEs are forced into illegal practices).

To build momentum to halt deforestation, further overuse of forest resources and degradation

- Promote robust and comprehensive environmental policies addressing priority transboundary issues that may prevent and mitigate future pandemics, addressing the interacting threats due to illegal trade, habitat loss, climate change, and different sources of pollution by developing collaborative policy frameworks (source: S-G Report, March 2020).

- Recognize the **need to halt deforestation as a critical element in improving food security and addressing climate change**. To date, the focus has too often been limited to sector-specific actions, addressing timber production separately from agriculture, for example. Recognizing deforestation as a common challenge allows for the coordination of action across sectors to maintain and increase forest cover, not only to secure the livelihoods of forest-dependent communities, but also to maintain the long-term economic role of forests at the national level.
- **Advocate for improved community-based natural resource management mechanisms** and structures.
- **Maintain support for independent monitoring activities** that have significantly improved good forest governance and contributed to the long-term goal of halting forest degradation and deforestation.
- **Incentivize community monitoring**, in particular using IT and mobile technologies to reduce dependency on physical monitoring by governmental agents. In addition, support the establishment of quick-response conflict resolution.
- **Recognize that wood production**, in particular for energy in developing countries, is an essential means of livelihoods for millions of people.
- **Stand ready to extend technical support to stakeholders** to avoid the relaxation of environmental norms and regulations.

To minimize the impact on global trade and supply chains of forest products

- **Strengthen national and regional markets for forest products**, in order to maintain access to legally harvested wood and technology (technical assistance, training, equipment), and create channels of commercialization.
- **Coordinate strategies with ministries of economy, industry and trade** to deliver targeted programmes based on public-private partnerships.
- **Maintain demand for legal timber** and work with governments to enforce internationally agreed regulations on legally harvested timber. This is critical to enable timber-producing countries to implement national legislation that promotes sustainable forest management.
- Amid disrupted international markets, **boost the interest of governments and private sector actors in legal domestic timber production and processing**, by providing more opportunities for smallholders and other local timber producers.
- **Formalize and facilitate domestic timber production to supply local export-oriented industries**. Over the years, these industries have increasingly relied on lower risk and better documented timber supplies imported from developed countries (with a high carbon footprint).

To leverage action, building more sustainable production and resilient supply chains, providing more diverse livelihoods

- Turn the crisis into an opportunity to **promote more legal and sustainable products and nature-based solutions** to counter any short and longer-term shocks to livelihoods, particularly for more vulnerable people in rural societies who depend on income from land use.
- **Increase economic incentives** for the legal and sustainable production of timber to mitigate the potential effects of reduced prices in this commodity market caused by an influx of illegal products.
- **Promote the use of digital innovations to improve data access and analytics for decision makers**, including market exchange platforms and logistics along value chains for legal and sustainable products.

- Carry out an analysis of the impact of and response to the pandemic on various forest products markets and regions.
- Provide policy guidance to promote approaches to developing and transitioning towards a sustainable bio-economy, and meeting the climate goals of the Paris Agreement taking into account low prices for fossil resources and fossil resource-based materials.
- In collaboration with the Advisory Committee on Sustainable Forest-based Industries and other related stakeholders **identify effective, innovative responses to the impacts that COVID-19 might have on global forest-based industries in the short, medium and long term.**
- **Maximize the use of available forest data** as part of ongoing efforts to identify risks to local wild food sources and opportunities for developing local supply chains based on forest products.

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