

TENTH EXECUTIVE FOREST POLICY COURSE

REVISITING THE POVERTY REDUCTION AGENDA IN THE CONTEXT OF SDGs:  
OPPORTUNITIES AND CHALLENGES FOR ASIA-PACIFIC FORESTRY

15-25 MAY 2017  
COLOMBO, SRI LANKA



# CONTRIBUTION OF FORESTRY TO GDP, EMPLOYMENT AND POVERTY ALLEVIATION: What are we missing from the statistics?

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Food and Agriculture  
Organization of the  
United Nations



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du Pacifique



ICIMOD



# FORESTRY AND THE NATIONAL ECONOMY?

- All of us are one way or the other – directly and indirectly – contributing to the economy. How do we assess the significance of our contribution to national economy?
  
- How do you rate the importance of forestry to the national economy in terms of:
  - ❖ Its contribution to the national economy;
  - ❖ Employment generation; and
  - ❖ Poverty alleviation
  
- Do you often hear that forestry is not making any significant contribution to the economy?
  
- Do you think this has affected the resources available to forestry?

# ISSUES FOR DISCUSSION

- What is the contribution of forestry to the national economy?**
- How is gross value estimated?**
- What is its connection with assessing poverty?**
- What are the challenges in making a realistic assessment of forestry sector's contribution?**

# GROSS DOMESTIC PRODUCT

- ❑ Gross value added measures the contribution of a particular sector or activity in the economy.
- ❑ In the case of the forest sector, the value added by the sector is equal to the value of all the outputs less the value of raw materials bought by the sector.
- ❑ The value addition process involves use of machinery, tools, labour, managerial expertise, etc. and from the value so added, these factors of production need to be compensated in terms of wages, salaries, interest or rent.
- ❑ We can conveniently break up each sector into a number of sub-sectors and estimate the value added by each subsector.



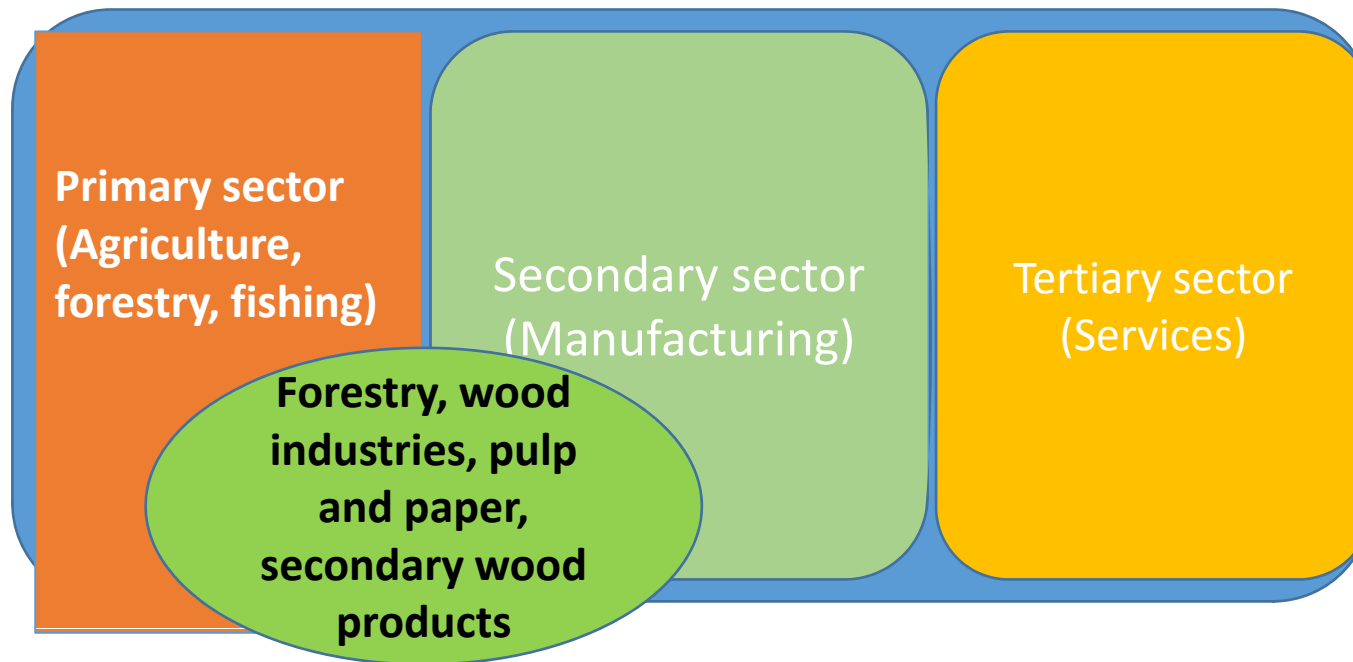
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# CONTRIBUTION OF FORESTRY TO NATIONAL ECONOMY



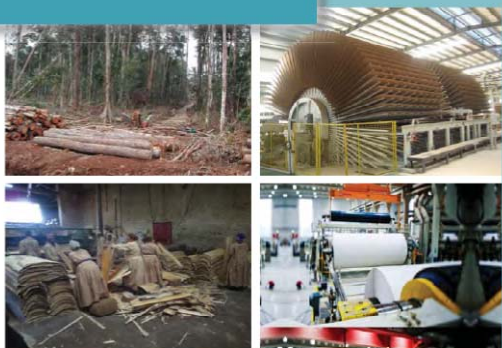
# FORESTRY'S CONTRIBUTION TO VALUE ADDED AND EMPLOYMENT



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Forest Finance Working Paper  
FSFM/ACC/09

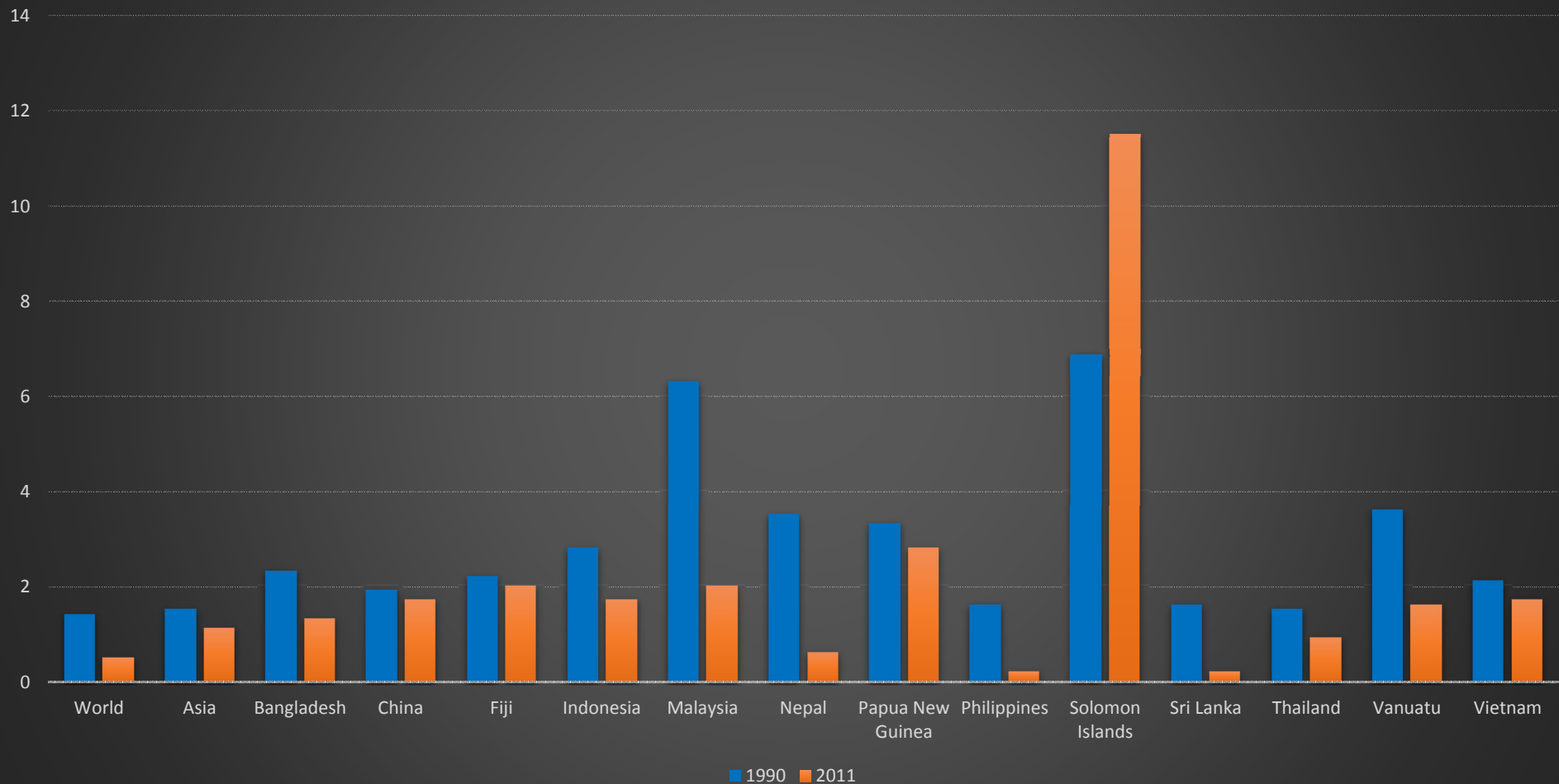
## Contribution of the Forestry Sector to National Economies, 1990-2011



| Region/ Country  | Gross Value added<br>(in USD Million) |         | Employment (in 000<br>) |        |
|------------------|---------------------------------------|---------|-------------------------|--------|
|                  | 1990                                  | 2011    | 1990                    | 2011   |
| World            | 547,615                               | 605,953 | 15,579                  | 13,232 |
| Asia-Pacific     | 149,915                               | 260,362 | 6,758                   | 6,941  |
| Bangladesh       | 867                                   | 1456    | 32                      | 44     |
| China            | 17,434                                | 124,622 | 3771                    | 3769   |
| Fiji             | 50                                    | 62      | 3                       | 4      |
| Indonesia        | 8,612                                 | 14,570  | 451                     | 445    |
| Malaysia         | 5,853                                 | 5,702   | 171                     | 210    |
| Nepal            | 270                                   | 105     | 10                      | 20     |
| Papua New Guinea | 167                                   | 358     | 12                      | 11     |
| Philippines      | 1,626                                 | 529     | 75                      | 49     |
| Solomon Islands  | 18                                    | 99      | 2                       | 9      |
| Sri Lanka        | 254                                   | 395     | 23                      | 23     |
| Thailand         | 2,307                                 | 3,169   | 63                      | 235    |
| Vanuatu          | 16                                    | 11      | 1                       | 1      |
| Vietnam          | 664                                   | 2,356   | 24                      | 251    |

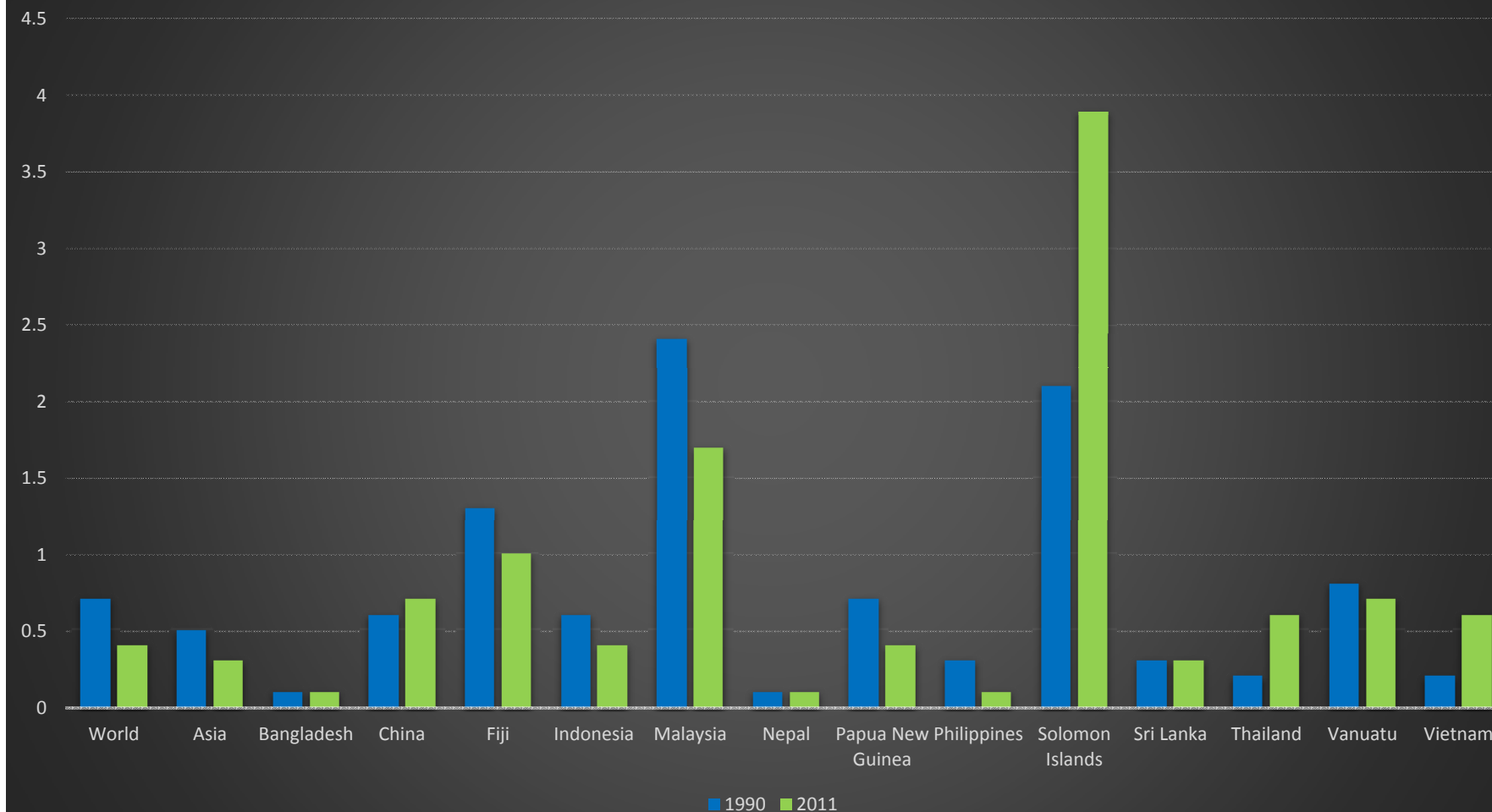
# SHARE OF FORESTRY IN VALUE ADDED AND EMPLOYMENT

Change in forestry sectors contribution to GDP (in %)



# FORESTRY'S SHARE IN NATIONAL EMPLOYMENT

Forestry's share in national employment (in %)





# SOME BROAD TRENDS

- Globally the overall growth in value added in the forestry sector is not very significant. What we are witnessing is a rapid growth in Asia while in other regions forestry's value added has declined quite significantly.
- Most of the growth in value added is accounted by China.
- Furniture industry has also seen a relative decline globally, although its growth has been phenomenal in countries like China.
- Most of the value addition is coming from capital intensive industries – especially pulp and paper, which implies that employment generation will be very limited and the share of income that goes as wages is declining.
- This implies that the contribution of formal forestry sector as regards poverty reduction is low and unlikely to improve.

# POVERTY AND GROSS DOMESTIC PRODUCT

- ❑ Most of the poverty alleviation stems from the use of subsistence products which is seldom captured by national income estimates.
- ❑ Further a significant share of wood processing takes place in the unorganized sector, which also goes inadequately captured by national income accounts.
- ❑ All that we have is some unverified “guesstimates” of the contribution of the informal sector to the national economy.
- ❑ While the subsistence sector and the unorganized sector play important roles in poverty mitigation, their ability to lift people out of poverty remains limited.



# ISSUES FOR DISCUSSION

- On the whole forestry sector's ability to generate income and employment has not improved significantly during the last two decades.
- Informal sector will continue to play an important role in poverty mitigation.
- Transforming the informal sector as formal sector face many challenges.
- If a larger share of income has to accrue to the poor, it will require fundamental changes in resource ownership, choice of technology and market access.

**Thank you**



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