

Challenges ahead – growth, livelihoods and sustainability

It has been said that private sector forestry has reached an important watershed in South Africa. Some people use ‘watershed’ metaphorically, others use it quite literally. Those who speak metaphorically point out that the *status quo* of the early 1990s is no longer legitimate or viable, and note that companies, civil society and government all realise this. In fostering the National Forestry Action Programme, creating new forest policy and legislation, steering development of national forest standards and restructuring its commercial forest assets, the government has so far been the most active change agent. A framework has been articulated within which the private sector can operate. Companies meanwhile have faced their own business imperatives, and have established small grower schemes, attempted grower partnerships with communities with variable success, and adopted certification – all as measures which make good business sense.

Those who talk of watersheds and private sector forestry more literally, are referring to the ongoing debate about plantation forestry as a water-using industry in a water-scarce country. They question the role and methods of forestry, compared to other land uses, in water management, employment generation and local development. Both the metaphorical and literal perspectives on watersheds have made important points.

Looking ahead, how can private sector forestry play its part in pursuing and balancing all three of the key national objectives of economic efficiency, environmental sustainability and social empowerment? What is the vision of future forestry, and what challenges lie ahead in getting there? This section turns to addressing these questions.

6.1 Future industry growth – new assets, new players

Future growth in South Africa’s forest industry is possible and probably commercially viable. The pace of future growth is however unlikely to match the rapid rate witnessed over the last few decades. It will also be driven and influenced by a markedly different set of factors, and occur in a very different context, to that under which it has essentially developed to date. Fundamentally, the industry’s future growth prospects and the pattern of development will be determined by:

- Level of demand for forest products, both nationally and locally.
- Opportunities to expand fibre supply to meet increasing demand from local and international markets.



- Industry's ability to remain competitive in the face of a new economic and policy context which directly and indirectly affects the costs of doing business in South Africa for increasingly international companies participating in a global industry.
- Investment decisions of South Africa's major companies who are now increasingly part of an international pulp and paper industry which offers numerous opportunities and venues for investment.
- Industry's ability to respond to emerging market requirements for proven environmental and social sustainability through mechanisms such as certification and remain competitive.

Future demand for forest products

The major source of growth in South Africa's forest industry will almost certainly be the pulp and paper sector. While opportunities exist and others will emerge for growth in the solid and mechanical wood sectors the long term prospects in these industry segments are limited and certainly lower than in the more dynamic pulp and paper sector on which both South Africa's major companies have clearly sought to concentrate in recent years.

In terms of domestic demand, current annual per capita consumption of paper and board in South Africa, at around 45 kg, is well below that of other regions such as North America (350 kg) and Western Europe (160 kg). Prospects for growth in demand seem possible, although this will be influenced by the rate of domestic economic growth, the literacy rate and the general development of the previously disadvantaged population as post apartheid economic, political and social reforms take place.

International demand prospects for pulp and paper appear strong, although much of the growth is dependent upon the performance of major potential developing country markets – in particular China and, to a lesser extent, India. Prospects for significant further demand growth in traditional developed country markets in Europe and North America are more limited.

Future fibre supply

Probably the prime and most obvious factor limiting South Africa's ability to respond to any increasing demand for forest products is the future availability of fibrous raw material. Five possible sources of future increased fibre supply exist:

- Improvements in yield from current plantations
- An increase in the afforested area
- Domestic processing of exported unprocessed fibre
- Increased use of recycled fibre or the use of alternative fibre sources
- Use of imported fibre from the wider Southern Africa region

Improved fibre yields from existing plantations are clearly possible, particularly considering the low yields currently realised in the plantations of the former homelands. But at most this could improve overall fibre availability by about 50% over a thirty year period. This represents an annual equivalent increase in fibre availability of about 1.3% – significantly lower than the rates of growth achieved by the pulp and paper industry in recent decades. In addition, some yield improving technologies – such as genetically modified material – may be unavailable to industry given market environmental demands manifested through certification requirements (see below).

Opportunities for further afforestation are limited. As noted above, South Africa is an essentially arid country with limited afforestation potential. This limiting factor is further complicated by the fact that areas of greatest remaining afforestation potential are also areas of great importance for water resources with high environmental significance and high demand from alternative agricultural land uses.

Current indications are that future afforestation potential could be limited to a maximum of 300,000 hectares – representing an overall increase of just 17% of South Africa's afforested area. Much of this area lies in communally owned areas, particularly in the Eastern Cape. The companies' ability to establish resources in these areas will thus depend upon their ability to establish effective partnerships with those communities and to offer them tangible benefits which exceed those currently enjoyed. This is a challenge to the companies but a real opportunity to widen participation in the industry and to spread the benefits of a successful industry more widely amongst some of South Africa's poorest people.

Significant expansion based on the estimated 1.5 million tons of woodchips annually currently exported through KwaZulu-Natal is possible. International prices obtained for woodchips are currently high and it therefore makes economic sense to export rather than to add value to this raw material resource in South Africa. Should the supply/demand and pricing dynamics change it could become feasible to establish local pulping capacity to exploit these value-adding opportunities.

Recycling of paper offers some opportunities to reduce the industry's demand for new wood-based fibre. Currently some 38% of paper in South Africa is recycled providing around 27% of the material input used by the industry. Increased rates of recycling and recovery are possible but the extent of feasible recycling is constrained by the cost of collection and transport relative to the current cost of wood based fibre. Furthermore, technological limits exist to the percentage of recycled paper which can be employed in making new paper. New alternative fibre sources – in addition to bagasse which already provides around 5% of furnish for the pulp and paper industry – such as hemp, kenaf and straw are possibilities. Their success will ultimately depend not only on their technical properties but ultimately their costs relative to wood based fibre. For the short to medium term this avenue does not seem to offer any significant prospects for growth and development.



Photo: Andrew Wannenburg

One of the key challenges for new players in the forestry private sector is to find effective roles in managing areas such as these aloes woodlands near Mjamkhulu

The greater Southern African region, most notably Mozambique, Malawi and Zimbabwe, also provide possible solutions to the anticipated shortage of fibrous raw material in South Africa. Industry members have shown significant interest in developing forest resources in Mozambique, where potential seems to be the highest. Forest resources in Zimbabwe and Malawi could also prove viable. Ventures into these Southern African countries are likely to entail the establishment and management of plantation forests from which logs will be imported to nearby South African mills. Over the long term, and depending on the location of such ventures, processing operations could be established in these countries.

Privatisation – the next few years

The forest restructuring transactions to date have had to take place in a climate of difficult market circumstances and an ever-developing and complex rights-based land reform programme. The rationale behind grouping DWAF- and SAFCOL-owned plantations within forest packages remains appropriate if government is to achieve its objective of transferring its commercial forest operations to the private sector and reducing the high costs to the State of managing commercial assets. However the downside also remains - the high transaction costs due to the complexity of the process. The DWAF plantations are in general less attractive to investors than the SAFCOL plantations since they are generally less well maintained and often located in less stable and secure tenure environments. The long process continues to attract criticism of government from some potential investors.

The forest lease is a complicated document, and this is to be expected as it tries to satisfy both the need for security in investment on the part of the private sector while accommodating communities expressing intent to reclaim land that was once theirs. The inclusion of communities as the third party in lease agreements – along with government and the private investor - has meant accommodating uncertainty over whether communities would accept a land rental in lieu of re-occupying state forest land, or whether they might demand full return of the land, to which, legally, they may be entitled. The next few years will see continued debate, and a range of new actors and land-use arrangements stemming from the privatisation process.

The cost of doing business

The rapid development of South Africa's forest industry has in large part been based upon the country's ability to produce high quality wood fibre cheaply. How far this will remain the case in the future will depend upon a number of factors. In terms of the existing forest estate the industry has some measure of protection from rising costs by employing the mechanism of outsourcing and contracting out services. But labour still remains relatively expensive in South Africa compared to many poorer developing countries and these mechanisms do not provide complete insulation from rising costs, including those associated with complying with new policies and legislation on employment practices, skills development, land ownership, tenure security and water use. Meeting these will to some extent increase the cost of doing business in South Africa in a highly competitive cost-sensitive industry.

Foreign direct investment (FDI) in the forestry sector has not been within the top ten sectors in South Africa over the last half-decade, but this may change if international investors are found for the remaining forestry packages to be leased by government. FDI into the forestry sector will face the same constraints as those faced by other sectors, including:

- General concerns about emerging markets
- Perceived political and economic uncertainty about South Africa
- Decreased investment from South East Asian investors due to economic problems domestically
- Exchange rate volatility in South Africa

Emergence of forestry contractors

The trend towards use of contractors rather than a permanent workforce in the forest industry is increasing. Harvesting, silviculture, transport, social and ancillary services are being contracted out. For some, the resulting economic competition may generate a 'race to the bottom' with declining wages, health and safety, increasing poverty and exploitation – where, under contract, the same people working in the same uniforms, doing the same jobs receive less money. Increasing 'casualisation' of labour may produce contract workers with little loyalty or connection to the contractor.

Alienated labour in South Africa uses arson as a standard method for demonstrating grievances. Even policy/legislation interventions designed to improve equity and livelihoods can have perverse effects where workers and communities are weakly organised and within an international economic environment of deregulation and fierce competition. For example, there is some evidence that new legislation – on labour rights, conditions of employment and tenure – has contributed to the rush of large farmers and forestry companies to shed permanent workers and outsource labour to competing private contractors with potentially negative social consequences. Yet this local trend must be considered in the context of South African companies seeking to be globally competitive.

There are opportunities, as well as threats, for livelihood-supporting forestry in the trend towards contracting and outsourcing. But major efforts are needed to develop information quality, accessibility and flow, and to enable a major programme of human resource development amongst contractors. The contracting sub-sector is not that well understood and researched apart from a handful of studies. What is known, however, is that the size of contractor firms is gradually growing, and that training is becoming a pressing need, not only technically but also in terms of business management. The management of contractors requires skilled regulators, adequate legal frameworks and effective monitoring systems. Current capacity in all these areas is extremely limited.

Trends in small-scale sawmilling

The small-scale sawmilling sub-sector consists of two broad types of miller. Firstly, there are the formal businesses, each with a number of permanent and casual employees, and owning its own limited milling and transport infrastructure. These businesses earn an annual average turnover of half a million Rand, and contribute significantly to meeting the demand of downstream processors for industrial timber as well as supplying the regional markets with building timber and final products such as pallets. Secondly, there are micro-millers who depend solely on short-term contracts for their livelihoods. Micro-millers can earn less than R50,000 per annum net profit on their operations, find it extremely difficult to source credit because of a lack of collateral, and sink their reserves into maintaining outdated equipment rather than investing in upgraded machinery.

Both types of small-scale miller, however, face similar issues. State forest restructuring poses an uncertain future as far as guaranteed access to timber contracts is concerned, and there is no broad-based representation of small millers through a sawmilling association. Even if such an association were to exist, it is unlikely that it would be able to adequately represent the issues and needs of such a broad membership. As with contracting in the forest industry, information flows to and amongst millers are weak. Levels of understanding about applicable labour and other bodies of legislation are highly variable, and ability to comply with minimum legal requirements is likewise variable, tending to weak. The next few years may see larger, more secure and profitable operations edging micro-scale millers out of business as bidding for contracts becomes more competitive.

Investment decisions of major companies

The last thirty years has seen South Africa's industry take an increasingly international perspective, particularly the pulp and paper sector, which is its largest most dynamic component with probably the greatest prospects for future growth. A key element of this growing internationalism is the purchase of fibre resources and processing capacity in other countries. It is fair to say that while both Mondi and Sappi remain South African, their business interests are now global with South African activities being only a part of a much wider picture of investment decisions. Inevitably, such decisions will direct capital towards those parts of the world where the likely returns are greatest, and it is in this context that the likely increasing costs of doing business in South Africa for these companies must be judged.

6.2 Certification – challenges for business to meet emerging sustainability issues

Waiting for the next wave of certification pressure

The majority of South African plantations are now certified – apparent testament to the high quality of management by the major forestry companies. Certification has enabled these companies to talk with international friends, national stakeholders, and even the local neighbours, without quite so much blood-letting as in the past. Executives and environmental officers of the big forestry companies, together with some mill managers have made considerable capital out of the market positioning, packaging and branding advantages of certification. But most of their staff, and the bulk of the industry, are still not engaged.



The large South African forestry dog is being wagged by a tiny consumer tail – since the only important market for certified wood products thus far is the DIY retail market in the UK. There are ripples in the US (for example, Global Forest Products sees FSC as vital for accessing its US markets), but there is no sign yet of a major second wave of certification pressure.

Handling the 'social can of worms'

Whilst certification was not originally designed to deal with social issues at the forefront, it now needs to respond to them and help deliver positive social impacts if it is to be an effective tool for better forestry. However, the forest sector cannot alone carry the can for structural problems in society and the economy – it cannot alone resolve social issues. But it can and must contribute to their resolution if it is going to retain a place in land use and development in South Africa.

One of the major problems is the vast difference in interests, and power to pursue those interests, between different groups. Yet there is no means to determine the legitimacy of those interests. What weight should the desire of forest management to contract out the spiralling costs of a permanent labour force carry against the desire of unions to maintain the rights of workers with permanent jobs and the expectation of improved housing and social benefits? What weight should the question of the international competitiveness of South African wood products and the making of

profits for shareholders carry with regard to the question of local livelihoods in poor rural areas? Certification, ultimately, is treading a fine line between being a market-based instrument, which contributes to environmentally sustainable and socially responsible forestry, and being seen as a panacea for all ills. If certification falls into the ‘panacea trap’ it will be at the expense of its effectiveness as a market-based instrument.

Developing national standards for sustainable forest management

The 1998 National Forest Act prescribes the development of principles, criteria, indicators and minimum standards for sustainable forest management. The process of developing these standards is currently underway. The forest industry is being closely consulted in the process of developing these standards – and certification provides the major reason why. However, the potential application of standards for market-led certification is rather different from their use as minimum standards enforced through compulsory regulation. A third possible use is for monitoring performance at a national (or regional) level. The near future will reveal whether these three potential applications bring contradictions and need three different types of standards.

The large companies consider that the existing body of legislation covering health and safety practices in working environments, together with in-house company guidelines and practices, will be generally sufficient to enable them to meet whatever minimum requirements will be articulated by the standards. However, as is the case in most standards processes across the world, the social issues once again are the most difficult to address satisfactorily. This is partly because it generally brings new players into the process, and partly because it is politically and technically more challenging. Given the wider context of land claims, labour legislation changes, outsourcing and the explicit requirement to redress previously disadvantaged groups, it is vital that these social issues are addressed – and be seen to be addressed – fully and explicitly in the standards development process.

Drawing attention to land use questions

It is not clear that the intentions behind certification and the practices it promotes are well understood outside of the forest sector itself, and there is the potential for certification to contribute more to the debate around optimal land uses. The privatisation process has revealed some concerns about the efficacy and consistency of the certification procedures in relation to broader land use questions. For example the sale of a portion of SAFCOL forests adjacent to the St Lucia wetlands, an international World Heritage site, revealed that some certified plantations were located in an area clearly unsuitable for forestry and also damaging to the wetland system. Similar problems with certified plantations were revealed in areas being privatised in other parts of the country. These incidents have raised concern about the rigour and consistency of the certification procedures, and require further investigation.



Forestry businesses cannot alone solve the challenges of local development and sustainability. But they can and must contribute if they are to retain a place in land use and development in South Africa

The interest in certification has come at a time when national debate and studies are taking place over whether land uses other than forestry would, in some places, be more appropriate, given national and local concerns for water management, employment generation and local development.

6.3 Outgrowing and partnerships – challenges for improving livelihoods

The outgrower schemes have significantly built on the asset base – natural, social human, financial and physical capital – of rural livelihoods but a number of challenges remain.

Natural capital – growing assets and environmental risks

Households have been assisted to acquire new land under sale agreements of state assets – but there may be difficulties ahead for community-wide partnership approaches in these areas because of problems around ownership, responsibility and distribution of benefits. Whilst that is no apparent squeeze on the availability of land for arable crops, and households are increasingly

substituting trees for cattle as a form of savings, the use of grazing land has caused conflict between growers and non-growers.

It can be argued that the companies have passed on considerable environmental risks to the outgrowers. For example, growers report depleted springs, groundwater and wetland in some areas. These issues pose a challenge to the potential for forestry partnerships in the Eastern Cape. Conversion of relatively unproductive, degraded communal lands to forestry could generate new livelihoods and at the same time protect the soil from erosion if the right species are planted on the right soil types. However, if deals involving afforestation proceed without full consideration of the environmental risks, potential negative impacts include:

- Increased grazing pressure and degradation on the areas of remaining lands
- Spread of invasive alien vegetation – with consequent loss of productive land
- Lowering of water tables and stream flow if afforestation management is poor and/or if alien species spread
- Reduced biodiversity if afforestation management is poor and/or if alien species spread

Furthermore, where Eastern Cape communities are making a reasonable profit by clearing invasive wattle from waterways under a government's Working for Water scheme, there is some concern that this source of fuelwood and fibre is not being replaced with a long term sustainable alternative. This may lead to further pressure on the remaining native vegetation, with consequent degradation and erosion.

Social capital – generating bargaining power

Whilst some capacity in growers associations has been built, associations are weak, used mainly for administration purposes and cannot generally negotiate for better terms of contract. Outgrower associations have been unable to negotiate with companies for better terms of contract (for example bigger advance payments) or relative advantages over other sectors in the eucalypt industry (better prices from the mills, allocations of quotas between large and small growers).

Land rights have been secured within the communal tenure system through outgrower schemes. However, by requiring signatures from Tribal Authorities, the schemes may entrench Tribal Authority power, occasionally to the detriment of grower interests. And while loan advances allow very poor households to join as members – highly marginalised households (without land) cannot join the schemes.

Within company-community deals there is much work to be done to ensure sufficient clarity and joint ownership of decisions. The actors have not generally agreed on the goals of the deal and have not even effectively communicated their goals to one another. For example, the assumption that community

members strive only for financial gain needs to be treated with caution, since other aspects to livelihood security such as access to forest resources are often more important than financial capital, especially to women.

Although there have been some decision-making forums in the outgrower schemes, major decisions in both these schemes and community deals have been taken by technical specialists, with very little effective capacity development and weak participation by communities – the same problems that crippled communal agriculture during the homeland era.

Human capital – tackling poor skills and conditions

Silvicultural skills have been transferred on site – but business skills training has been informal and *ad hoc*. Individuals can easily grow trees and simultaneously seek employment – but there are a number of ways in which women are exploited in the schemes. Also, whilst loan advances enable labour deficient households to hire contracted labour, hired labour and contractors may receive extremely poor wages and may operate under unsafe and harsh conditions.

Physical and financial capital – the road to better prices and equity

Development of infrastructure has occurred in some rural areas through the schemes – access roads, input supply depots, weigh bridges. A significant percentage of rural credit has also been provided by the schemes in the areas where they operate. Trees are seen a form of household savings and informal collateral agreements do exist – however, many farmers fell early to escape interest accumulation or to meet emergencies, and informal collateral agreements between community members tend to be exploitative. And whilst the schemes provide secure markets, it is not in the companies interest to provide the highest prices possible and growers are excluded from owning shares in processing – the most profitable sector.

There is a notable contrast between the outgrower schemes and government-established community woodlots. Whereas the woodlots have cost a good deal of tax-payers' money, are inefficient and relatively unproductive in supporting relatively few, the outgrower schemes have cost the government nothing, and have been quite effective in making some highly marginalised people economically active. Nevertheless, whilst outgrower schemes have contributed to household income they have not yet, in themselves, taken households out of poverty.

Policy problems and empowerment opportunities

Looking towards the wide range of external policies, institutions and markets which affect company-community deals, there are also some key problems:

- *Dumping responsibility without building capacity.* 'Devolution to communities', or handing over risk to farmers, who may not yet be in a position to make informed decisions and trade-offs between long-term

sustainability and short-term gain is not likely to foster genuine partnerships or improve either forestry or livelihoods.

- *Mysterious or opaque government policy.* Information about the policies of DWAF, DLA and other departments on land use and reform, forest management and woodlot devolution, and business management and markets, is not yet reaching communities in the places where deals are being mooted.
- *Uncoordinated service provision.* Various agencies of national and local government are giving out conflicting signals, duplicating efforts and failing to develop the positive momentum that might come from collaborating more closely on e.g. upgrading infrastructure, stepping up law enforcement and training communities in managerial and entrepreneurial skills.

Much can be learned from the wattle industry, where small growers' access to profits from the processing sector has come about through share ownership in the tannin extract factories. This was made possible through space being opened by the SAWGU rather than through the ability of associations to negotiate better prices from the markets.

Principles for partnerships

Some possible principles for better partnerships present themselves, among which are the following:

- Recognise that different groups have very different legitimate perspectives, and that politics will always play a role.
- Get actors to engage with each other, to convey their perspectives and negotiate
- Allow ample room for disagreement and experimentation, i.e. treat company-community deals as learning processes.
- Commit to the partnership approach and process over a long period – for companies this means a strategic commitment to schemes and ventures as a commercial route (overcoming short term risk aversion caused e.g. by rises and falls in pulp markets).
- 'Nest' forestry programmes within broader contexts and programmes of community development.
- Develop a range of short, medium and long-term benefits, and of low, medium and high risk investment opportunities, to attract both cautious and bold partners.
- Develop clear responsibilities for managing environmental risk (e.g. who pays for water licenses) – spelled out in contracts.



Photo: Sappi Image Library

The bargaining power of small growers needs a boost if livelihoods are really to be improved from outgrower schemes

- Ensure that the benefits/equity for communities and private sector partners are commensurate with their respective investments. Communities' investment of land that could have been used for other purposes should be included in this calculation. This is likely to mean that communities have a stake in processing and share in the profits of deals.
- Sustainable partnerships are based on sound business principles, not social responsibility.

6.4 Summary

Some growth in South Africa's forest industry seems likely. Most of this is likely to be in the pulp and paper sector, where production capacity is now almost fully utilised. The extent of that growth will almost certainly depend upon the industry's ability to extend the area afforested and to produce fibre at internationally competitive rates to feed the requirements of any new pulping and paper manufacturing capacity. Any future expansion in the afforested area will almost inevitably be focused on communally held land holdings, requiring the development of some form of partnership with those communities. The industry's ability to contain costs will depend upon its success in implementing new requirements regarding water, environmental management, social and labour factors, whilst trends towards outsourcing and contracting out seem likely to continue.

Certification has helped those whose plantation management was already good, and could afford it. These companies are now busy finding other ways to demonstrate their credentials as good managers. But there is little impact yet on the 'messy' social issues generated by these companies, and by all those forest

enterprises that are not the biggest and the best. Indeed, certification has shored up the reputations of the biggest companies just as wider societal debates are promoting a larger number of smaller, communally based, producers and more equitable patterns of land and resource control. Concerns for the future revolve around these issues, and the impact of changed requirements for certification with respect to further afforestation – particularly in regard to genetically modified material. Another major challenge lies in the fact that certification has had no effect on all those forests that really need improving – the plethora of small planted forest patches and woodlots and the vast areas of indigenous woodlands.

Forestry alone cannot draw outgrower households and communities out of poverty. Indeed, it is notable that very few non-company players are involved in forest-based partnerships, although the state forest restructuring exercise may produce some more. Companies have in the main ‘gone it alone’, and only recently has government started to seriously tackle its role as a facilitating agent for commercial forestry to contribute to local economic development.

It is clear that, without actions to shape them, trends in South African forestry will not miraculously combine to produce a balance of economic efficiency, environmental sustainability and social empowerment. For this to be possible, a strong new vision for the sector is needed which can provide the basis for actions to meet key challenges. These challenges include:

- *Negotiating a new pattern of ownership.* It is increasingly evident that both market and social empowerment imperatives are pushing towards a pattern of ownership in forestry involving a greatly increased pool of medium and small-scale producers whilst the large corporate actors withdraw to a greater degree from land holding and become effective buyers and processors of the product. Whilst this pattern has been noted as desirable by many – and a number of policy developments of both government and private sector support it – further investigation, negotiation and spread of agreement is needed.
- *Balancing equity and efficiency.* Harnessing market mechanisms to join regulatory and informational instruments, for both improved competitiveness and empowerment objectives, remains a major task for which stronger support across a wide range of actors is needed.
- *‘Putting forestry in its place’.* Changing circumstances have revealed that forestry is no longer the best land use in some locations where it has dominated in the past, whilst in other locations the claim of astute tree planting to be the optimal land use – for social, economic and environmental reasons – is very strong. Balancing forestry with other land uses/alternatives requires a greater degree of cross-sectoral agreement than currently prevails.

Shared vision is needed to generate sufficient investment and space for a range of responses to the above challenges. These responses need to be granted enough room for manoeuvre – with enough time and resources to try, to fail, to learn, to adapt and to succeed.

Options and next steps

How can the challenges of the next few years be met head-on? What options are there for companies, government, small growers, contractors, small-scale processors, and intermediary organisations to improve private sector forestry? This section brings together a set of options for each of these main players.

7.1 Companies – large and medium – and their associations

Companies should take social issues much more seriously than they have in the past and make progress at a range of levels that improve their relationships with other players.

1. *Step-wise systems for engaging with social issues.* Systems that allow for a process of ongoing company assessment and improvement should be modified to make step-wise improvements in the capability of companies to deal with social issues. Certification can feed into company learning only if internal systems make social objectives routine.
2. *Modified certification procedures to improve learning.* The certification process needs to be re-oriented to help forest companies become learning organisations – this should include better means of developing feedback, learning groups, events and materials based on certification experience. Companies already invite interested parties on audit inspections, but this approach can be examined for further improvement as a learning process over and above the assessment exercise.
3. *Criteria, loans and training for contractors.* Forest companies should continue to set, and further develop, criteria and standards for their relationships with contractors. Contractors should not be working in certified forests if they fall below criteria on wages, health and safety practices, and assessment procedures need to be made much more effective at engaging with these issues. Larger growers and companies might follow the lead of the sugar industry, in providing the impetus for the development of skills and capital accumulation for small-scale contracting enterprises. Provision of loans and start-up capital should be considered, along with relevant educational programmes for forest contractors, particularly on relevant legislation.



4. *Principles for partnerships.* Deals between companies and communities need to move towards becoming more effective ‘partnerships of equals’ if they are to have longevity, continued mutual benefit and potential as effective agents in a wider development process. Companies’ own experiences reveal a number of best practice principles (see section 6.3) which need further development and widespread adoption.
5. *Practical improvements in outgrowing.* Key developments needed to improve outgrower schemes include:
- Companies should continue to pursue a focus on careful consideration of *site suitability*, distance from mills and condition of access roads.
 - *Intercropping* in the first two years of forest growth should be supported by all forest companies.
 - Comprehensive computer *records* should be kept of yields, input costs, contracting costs, and net profits of individual growers in each area.
 - Formalise *business skills training* for growers acquiring lump sums and contractors. The sugar industry may offer facilities for business skills development. Tax rebates to companies who provide training on behalf of national training institutions should also be considered.
 - Develop *gender sensitive policies* to cater for women growers (approximately 80% of scheme members are women). Ways in which this can be achieved include employment of women foresters, assisting women to open bank accounts in their own names, women group meetings (prior to planting in new areas), and inserting inheritance clauses to protect widows.
6. *Equity and revenue sharing.* Economic empowerment of small growers is unlikely to occur unless they have a greater stake in the profits from their timber. Profits are made in processing rather than production and there is evidence that wood prices are suppressed by the monopoly that pulp companies hold on the market. Share ownership along the lines of SAWGU ownership in tannin extract plants is a way of addressing this situation. Another method is to use a method of revenue sharing in determining the price formulae for timber. By this method the profit, and risk, is distributed in an agreed proportion between producers and processor.

7.2 Government

Government agencies should take the lead in assessing and attempting to balance the objectives and practices of the other players. In the context of current trends, new steps should be taken to consolidate and spread a vision of the future shape of forestry in South Africa.

7. *‘Visioning’ and learning for forestry’s future.* Government has a lead role here in convening vision-building fora. Developing and spreading a vision of forestry’s future is particularly needed amongst medium and small companies, local government and civil society. Only once the vision for forestry is




Photo: Christo Fabricius

Government will continue to have a vital role in securing equitable access and title to forest resources

sufficiently widely-held will there be clear and shared objectives for use of the key instruments described below – which can then make real progress.

8. *Clear inter-agency co-ordination mechanisms.* For both local level and national cooperation and coordination between DWAF, DLA and other departments, more effective formal cross-departmental mechanisms, and more transparency about informal inter-agency negotiations, are needed.
9. *Human resource development strategy for forest contractors.* This could be linked with the mandate enshrined in the Skills Development Act. There is also a need for systematic information collection on forestry contracting. The new Contractor Upliftment Programme will hopefully assist with these issues.
10. *Code of practice and dispute resolution on social issues.* In developing national standards, particular attention is needed to engage and negotiate with all key stakeholders on a set of standards and code of practice governing social aspects of industrial forestry operations. Government should facilitate efficient resolution of difficult social issues associated with company relationships with other players, where it has the mandate to do so.
11. *Assessing progress to better forest management.* Some in the forestry debate need to recognise that there is more to life than certification. Other tools and activities may be more effective at achieving some of the objectives currently loaded onto certification. Approaches for being realistic about the ‘place’ of certification and other tools - and for taking the steps needed for better forestry – need wider currency.

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12. *Forest permits and licensing implementation.* The principles underlying the DWAF forest permit system and water licensing are not widely disputed by foresters. However, there is still difficulty in proving stream flow impacts, particularly impacts on dry season flow, although there are rigorous findings showing reduced dry season flows from forest regrowth. Slow implementation of the permit system has resulted in standstill of operations and severely effected some small-scale contractors. Blanket community permits should provide part of the solution, and implementation of the new water licensing proposals should proceed with due regard for the consequences of delays.
 13. *Consumptive water use systems and tradeable permits.* Whilst the forestry private sector understands that water needs to be allocated by society to its most highly valued use, some companies feel that a focus on consumptive use and tradeable water use permits would provide more of an incentive than cumbersome regulations based on stream-flow reduction assessments. Government, in collaboration with all stakeholders in the industry, needs to find the most appropriate mix of regulatory and market-based instruments that will best and most cost effectively achieve sustainable development of the forestry industry.
 14. *Increased tenure security for growers.* Growers suffer from relatively insecure tenure arrangements, they cannot use their forests for collateral, and fixed improvements such as fencing are unprotected. Government policy should assist growers to upgrade ownership status and speed up land claims processes and tenure reforms in communal areas. Overarching policies to protect arable land for high value crops, possibly developing the comparative advantages of different regions, should also be considered.

7.3 Small growers and their associations

Just as companies should develop and adopt principles for partnerships, so too should small growers, and their associations. These associations themselves need a major boost.

15. *Capacity of grower co-operatives and associations.* Ongoing capacity building of grower organisations is needed and umbrella bodies should be created to represent local associations. The co-operative model presently engaged by NCT may provide a better vehicle for communication, skills transfer and mutual support than some grower associations, whose current problems of inefficiency tend to members' profits.
16. *Grower representation at national level.* Political empowerment is unlikely to occur unless grower associations progress beyond their administrative function (conflict resolution and communication), and are incorporated into national forest owners' associations with real representative status. Substantive representation of small-growers on executive decision-making bodies of forest owners associations is then needed (25% of voting rights would appear to be an appropriate initial minimum).



Photo: Christo Fabricius

If a few key barriers can be removed, woodlands and plantations can contribute much more to local livelihoods

7.4 Contractors and small-scale processors – and their associations

Contractors and small-scale processors are the most poorly-integrated players in the sector. Options focus on stronger contracts, improved conditions and capacity development.

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17. *Contracts based on legislation and standards.* Whilst many contractors may currently be in breach of various labour statutes, this does not paint the whole picture. Some contractors are better able to meet legal obligations and, with some support, can be bound by agreement to adhere to labour legislation, standards and FSC principles. Breach of agreement would lead to suspension and cancellation of the contract, with appropriate penalty clauses.
18. *Improved contractor conditions and capacity.* Small and medium forest contractors should ideally improve wage levels, but are unlikely to do so in the absence of more lucrative contracts. Such contracts will depend on the skills and bargaining power of contractors themselves. Contracting companies above a certain size are now obliged to pay levies into capacity development schemes. As yet the scale and direction of the impact of these levies, and other measures which affect contractors, is poorly understood and should be investigated.
19. *Contractor-grower-company partnerships.* As for growers, contractor co-operatives offer the potential means to share experience and increase capability to secure better deals in contracting. Should companies decide to divest from land ownership to a greater degree then the prospects for



Photo: Andrew Wannenburg

A bright future awaits those who can create partnerships for responsible forestry enterprise

contractors to expand into multi-functional district-level forest management for companies increases. Relationships between growers, companies and contractors would then best be served through development of joint decision-making approaches.

7.5 Certifiers and development agents

Roles of third party certifiers and intermediary development NGOs continue to be critical. Their services can be further focused.

20. *Training of auditors.* Certification audit team leaders should be foresters, well trained in audit practice, with some international experience. All team members should be able to prove financial independence from the companies being audited, personal integrity and good interpersonal communication skills. Training of auditors should include: specific auditing skills; structured learning about FSC principles and criteria, associated standards and their interpretation; and participation in audits as a trainee with active mentoring by the team leader.
21. *Fair trade principles and simplified group certification.* Installing stronger notions of equity and fair trade principles in certification is needed to develop a fairer distribution of costs and benefits in the supply chain.

Systems of ‘due diligence’ should be developed on social and environmental issues just as in such fields as food hygiene and health. Group certification systems should be simplified, the administration cut to a minimum and local auditors used to reduce inspection costs.

22. *Improved services from development agents.* Development agents on contract to the companies and government (such as Lima) can be well placed to provide grower groups and communities a wider range of development initiatives. Possible improvements are agricultural supply depots with extension support for other crops and fruit trees, inter-cropping trees with legumes, labour based road construction, and the development of micro contractors. These rural development agents would also be better able to help formalise the informal collateral arrangements along specific guidelines that give more protection to growers, including delay in repayment until the forest is mature, and regulation of interest rates to acceptable levels.

7.6 Partnerships between players (local government, companies, NGOs, banks)

Some options for improved forestry and livelihoods – indeed amongst the most crucial options – require a partnership approach between players from the outset.

23. *A forum on social practice in forestry.* To go beyond minimum standards and develop better social practice requires a forum that can lower the cost of acquiring information and serve as an interface with stakeholders. Initiatives in other countries and internationally should also be drawn on with regard to the impacts that globalisation and outsourcing are having on forestry workers and local livelihoods. Evidence suggests that the livelihood status of many forest workers and other local forest stakeholders has declined over the last ten years – so privatisation, certification and partnerships need to play their part in transforming this situation. Thus, such a forum should grapple with wider issues such as the setting of minimum wages and tenure security in the sector.
24. *Developing affected parties into real stakeholders.* If stakeholder consultation is to be a genuine two-way process – concerted efforts to understand the implications of power differences between stakeholders and derive appropriate procedures are needed. Forestry stakeholders need to be developed before they can be meaningfully consulted. Forest labour has little muscle, and neighbouring communities have even less. Certification and partnership processes have to acknowledge these realities and find ways to stimulate NGOs and others to work in communities adjacent to forests, to identify and develop real stakeholder groups and projects. Small growers in particular need considerable support – for grower associations, regional cooperatives and marketing arrangements.

- 25 *Joint decision-making and partnership brokering agencies.* More effective joint goal-setting and prioritising of actions are needed in all deal arrangements. Agencies are needed which can emphasise transparency and communication of information to all role players, and cooperation with actors outside of the immediate forestry deal. The combined efforts of many partners are needed, at both national and local levels, in such agencies providing information, guidance and brokering services. Roles include:
- Facilitate negotiation of joint ventures: identifying suitable areas for afforestation in rural communal areas, and developing guidelines and incentives, which encourage forestry companies to engage with rural communities and entrepreneurs
 - Speed up processing of afforestation permits and land settlements
 - Translate partnership and project documents into local languages
 - Provide legal advice to communities
 - Provide independent facilitators from the government, NGO's or consultants who can facilitate negotiations between companies and communities
 - Lobby for infrastructural development
 - Enable physical, social and economic analysis geared towards communities to be carried out, including Strategic Environmental Assessment processes
 - Leverage responsible forestry finance from local mechanisms (such as credit unions), national agencies (such as the Land Bank) and new international finance sources (such as from the Clean Development Mechanism).
 - Partnership brokering agencies should make a particular focus on deals which promote: small-scale and medium scale forestry and processing; equitable and efficient contracting and outsourcing; and improved employment conditions in the forest industry.

7.7 Next steps

The twenty-five options above need to be chewed over, modified, fleshed out, prioritised and acted upon by the players highlighted. For this to be possible done the first step is to disseminate the findings of the studies summarised here, and actively install them in the minds of individuals and the memories of institutions. Circulation of this report should be followed up by activities such as briefings, face-to-face exchanges, preparation of information materials and learning events. A process of gathering feedback, modifying and developing the options, and prioritising them is then needed. We take the liberty here of calling on all those interested in the future of forestry and rural livelihoods in South Africa to offer their views, and to help push and pull the players into action.

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and sources of more information

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