

Forest Sector Charter Council

Forestry Indaba

Fish River Sun

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Presentation Outline

- Update on the Charter Council
- Charter challenges and how charter addresses challenges
- Summary of the scorecard
- Operating environment
- Opportunities
- Quick wins – low hanging fruit
- Final thoughts

Update on the Forest Sector Charter Council

Vision

To achieve sustainable broad based black economic empowerment and growth in the forest sector through active and meaningful participation of all stakeholders

Mission

To support, promote and guide transformation of the forest sector and secure compliance by stakeholders with charter requirements

Values

- Good governance
- Transparency
- People centred
- Respect for people/integrity
- Respect for confidentiality
- Dynamic



Update on the Forest Sector Charter Council

- **Functions of the Council**

- Monitor, review and facilitate the implementation of the Charter

The role of the Charter Council vis-à-vis other Stakeholders

- Charter Council should **encourage**, **support** and **facilitate** the implementation of the Charter undertakings (targets and instruments)
- Charter Council must **monitor** and **report** on implementation of the Charter undertakings
- Charter Council should **not implement** the Charter Undertakings
- Charter Council should **inform** stakeholders on the opportunities and benefits of the Charter (**popularise**)



- **Reporting**

The Council reports to the President's BEE Advisory Council, Minister of Trade and Industry and Minister of Agriculture, Forestry and Fisheries

Update on the Forest Sector Charter Council

- **Composition**
 - 15 Members nominated by stakeholder groups
 - Government nominates 6
- **Staff of the Council**
 - Minister responsible for Forestry appoints the Chairperson
 - Core staff to administer the Council (CEO, Researcher, and an Administrator)
- **Funding**
 - Co-funded by Government (60%) and Industry (40%)
- **Monitoring and reporting system**
 - Council is finalising system and procedures for progress monitoring, reporting and review
 - System will be aligned with the Dti portal



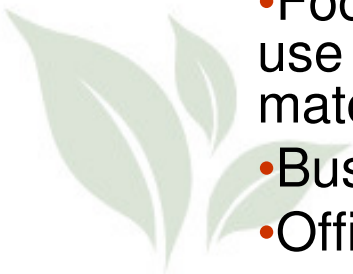
Update on the Forest Sector Charter Council

–Charter

- published in the government gazette as a Sector Code
- Legally binding on all qualifying entities dealing in the sector
- Need for monitoring and reporting by Council
- Need for qualifying enterprises to report

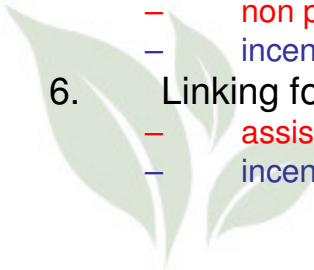
–Council update

- Legally constituted as a section 21 Company
- Began operation in May 2008 and has met 6 times
- Focus on QSE threshold, land issues, afforestation and water use licensing, policies, vision, mission, logos and promotional material
- Business plan, budget, policies and funding approved
- Offices in DWAF (FSA, SALMA)



Charter challenges and how charter addresses challenges

1. Increase in the local supply of roundwood to underpin growth throughout the forestry value chain
 - Growing resource base
 - 100k ha afforestation programme
2. Sustainable supply and better utilisation of the country's limited sawtimber resources
 - sawlog supply shortage
 - sawlog supply strategy and programme
3. Greater equity in the entire value chain of forestry
 - skewed ownership in the sector
 - ownership targets in the scorecard
4. Increased local beneficiation in & through the fibre production sub-sector
 - export of chips (exporting jobs)
 - incentives for Enterprise Development
5. Greater empowerment and profitability of existing small scale forest enterprises
 - non profitability of SMME's
 - incentives for codes of conduct for contracting, timber growing, charcoal manufacturers, employment practices
6. Linking forestry as a rural based industry with poverty eradication & local economic development
 - assisting government with its social programme
 - incentives for higher targets on enterprise development and corporate social investment



Summary of the scorecard

Ownership target	25% + 1
Bonus points for Broad base groupings (ownership schemes, cooperatives)	
Bonus points for higher targets on Black ownership	
Bonus points for higher targets for women ownership	
Management Control target	50% Black directors
	40% Top management
Employment Equity and Skills Development governed by relevant legislation	
Preferential Procurement	50% from Blacks during first 5 years
	70% from Blacks within 10 years
Bonus points for compliance with codes of good practice	
Bonus points for dealing with black owned businesses and women	
Enterprise development	Must spend 3% of NPAT
Bonus points for sale of logs to Black enterprises and those owned by Women	
Socio-economic development	Must spend 1% of NPAT
Bonus points for additional contributions to enterprise development and socio-economic contributions	

Summary of Forest Sector Code

Growth and Transformation strategy

Growth

- Grows the resource base (100k ha afforestation programme)
- Protects the resource base (forest protection strategy)
- Has a Sawlog supply strategy and programme
- Promotes local beneficiation resulting in local jobs
- Promotes recycling and efficient use of resources

Transformation

- Ownership targets include Blacks across the value chain
- Land reform will benefit Blacks
- Skills strategy will empower Blacks
- Codes of conduct on employment and contracting will benefit Black SMMEs
- Restructuring of state forest resources will benefit communities



Operating environment

Regulatory burden (Sector highly regulated)

Legislation governing forestry

The following legislation pertaining to the timber industry (both existing plantations and proposed new timber plantations) has been identified:

- National Forests Act 84 of 1998
- National Water Act 36 of 1998
- Conservation of Agricultural Resources Act 43 of 1983
- National Environmental Management Act 107 of 1998
- National Environmental Management : Biodiversity Act 10 of 2004
- National Environmental Management: Protected Areas Act
- Local Government Municipal Property Rates Act 6 of 2004

•Regulatory environment on the wood preservation sub-sector is onerous

- New Regulations for Compulsory Specification in addition to the SABS/SATAS certification costs
- New Pressure Equipment Regulations
- New Waste Management Regulations (amendments to NEMA Act and NEMA Waste Act)
- Review on Class 1(a) and Class 1(b) pesticides may result in treatment plants shutting down due to proposed discontinued use of **CCA**

Operating environment

Cost of doing business is prohibitive

- The cost of capital in the country is higher than comparative costs internationally.
- Internationally the cost of fibre is coming **DOWN** whereas in South Africa it is going **UP**
- Lack of protective measures such as trade tariffs, quantity restrictions (quotas) or government subsidies expose the forest sector to unfair external competition that may result in local job losses (**producer side**)
- Regulation has cost implications for compliance**
- Response to Anti-dumping takes long
- How can government assist???**



Operating environment

Decreasing raw material resource base

- Forestry land/production not keeping pace with the development in the country
 - result of many factors such as forest fires, land redistribution, delineation and **government's reluctance to issue new water use licences**
 - This in turn, is **discouraging new investment** as well as **recapitalisation** in the sawmilling industry.
- Unless sawlog shortage is urgently addressed, sawn lumber will have to be imported
 - This will result in local job losses
- Need to grow the sector (22m m³ produced, projected need of 40m m³ within 30 years).
- Forestry supports an important downstream value adding industry, need trees, need bigger cake to share from.**
- Need for forest protection services against fires, pest and diseases for the remaining resource base



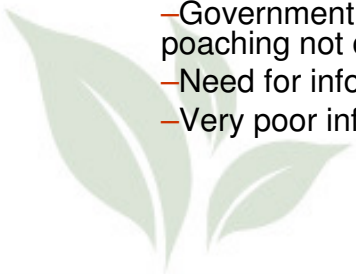
Operating environment

Low profile of forestry

- Forestry viewed negatively
- Anti-forestry lobby very visible
- Sector doing little to address negative perception
- Tendency to view lobbyists as “Loony Greenies”
- Negative image of forestry impacts on recruitment of forestry students
- Need for forestry to proactively take up challenge
 - Forestry accounts for 1% of GDP and 15% of trade balance (formal sector)
 - Forestry provides livelihoods to 5% of South Africa’s rural population
 - Research is world class
 - Leaders in certified forests
- Forestry must beat its own drum louder and address the lobbyists against forestry
 - Need to communicate enough to the public about the good work of forestry

Information and Skills

- Lack of skills and suitably trained personnel across the value chain
- Government’s Green and Blue scorpions not skilled to inspect paper mills – trained on issues like perlemoen poaching not on monitoring emissions at a pulp and paper mill.
- Need for information & extension services to empower rural forest entrepreneurs, small-growers, and general public
- Very poor information on the benefits provided by natural forests and woodlands (estimates)



Opportunities

• Recycling

- Not enough done in South Africa
 - Recovery and re-use rate of 45%
 - Switzerland, Netherlands, Germany and Japan recover 75%
- Use of paper products
 - North America uses 293kg/person/year of paper products
 - South Africa uses 48kg/person/year (expected to increase)
- Legislation and policy
 - White Paper on Waste Management advocates recycling
 - However, there is no legislation that says this must be achieved
 - Polokwane Declaration
 - There must be 25% reduction in waste generated by 2012
- Enormous job creation opportunities
 - For example Johannesburg Metro produces 1,6 million tonnes waste per annum
 - Estimated that 3000 jobs can be created **only by separating this waste**
 - This does not include the recycling
 - **Recycling will create more jobs**
- There is thus an opportunity to increase fibre supply from recovered waste
- Need for a research study to identify opportunities and blockages



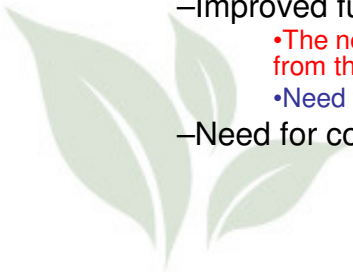
Opportunities

• Afforestation using carbon market

- Communities plant and manage plantations
- Communities get money from the market for planting trees
- Communities ALSO get paid for managing plantations
- Model can be used for long term timber growing (community benefits increase through the rotation period)
- Possibility of sawn timber supply at local cost
- Model can be used to incentivise long term timber growing
- LRAD funds and FAO funding facilities???
- DAFF needs to pursue this opportunity

Funding for research and development

- R180 million in R&D in 2008
- In 2006/2007, South African total (public and private sector) expenditure on R&D amounted to approximately 0.95% of GDP (Government 0.22%)
- Average OECD country expenditure on R&D in 2002 already was 2,15% of GDP
- Desired forest sector R&D investment of R220 million per year
- Improved funding
 - The new dispensation for forest sector R&D in South Africa requires a significant increase in direct Government investment from the current level to fund themes of interest at the National Level.
 - Need for DAFF to explore and harness this goodwill
- Need for co-ordinated collaborative research especially in pre-competitive areas



"Quick wins-low hanging fruit"

- DAFF must finalise the Forestry Grant issue with the IDC
- DAFF must fast track the payment of lease rentals
 - R150 million that communities could be using
- DAFF must fast track the transfer of Category B plantations
 - Why refurbish before transferring?
 - Why not transfer and give grant for refurbishment and involve organisations (such as EC ASGISA) that have resources?
- DAFF must finalise the SMME strategy
 - Framework for delivery
 - Strategy sets out delivery mechanism
- DAFF must finalise sawlog supply strategy
 - Timber shortage now has deleterious effects
- DAFF must promote small scale charcoal production
 - Use timber from Working for Water
 - Provide the necessary business, technical and financial support



"Quick wins-low hanging fruit"

- Government must issue water use licenses
 - Water, water everywhere, but not a drop for me to drink
(The Rhyme of the Ancient Mariner)
 - SEA identified 1,8million ha potential land
 - Charter requires 100 000 ha (5,5% of the potential land)
 - Catchment example
 - 11014 ha identified
 - 4,0% of the catchment
 - Sector needs to consider its options (Legal route ???)
- Government must promote recycling
 - Government waste paper that can be recycled
 - Empower Women, Youth, Disabled and other broad based groupings to collect government paper for recycling
 - Procure research that will identify opportunities and blockages .
- Research
 - Information on natural forests and woodlands and livelihoods to enable policy development to enhance the use of these resources
 - How “carbon market” can be used to incentivise long term timber growing

Final thoughts

- Indaba

- **Definition:** (Zulu) originally a council or meeting of people to discuss an important matter, now associated with the idea of open dialogue.

- Need for holistic approach

- Need for strategic focus

- Does an Indaba exclude other forests???

- Should the focus only be on commercial forests???

- Fire important but so are pests and diseases, timber markets etc.

- New administration policy directives

- Focus on land reform, rural development and agrarian reform

- Increased funding for research on issues of national interest

- Polokwane resolutions include;

- Issuing of water use licenses

- Climate change

- Land reform

- Waste Management

- And many other matters that impact on forestry

- **Are we doing enough to heed these directives???**

Final thoughts

• Forestry and the DAFF

- What are the implications/advantages/disadvantages of being included with Agriculture
 - Opportunity for this issue to have been adequately discussed with forestry stakeholders
- Forestry and agricultural incentives
 - Forestry excluded from the use of agricultural incentives
 - Forestry Branch must lobby for the inclusion of forestry in the agriculture incentives
- Forestry and assistance in water use related matters (i.e. definition as resource poor farmers)
 - Forestry must lobby for the inclusion of emerging forestry entrepreneurs as resource poor farmers
- What about the inter-phase between Forestry and Agriculture (*Agroforestry*)

• Natural resources and woodlands

- Rural poor use these resources for firewood, building material, food, medicine and as a safety net during hard times.
 - Estimates indicate that these forests contribute **R17 billion annually** to the rural poor
 - Commercial forests contribute **R14 billion annually**
- Are we doing enough to enhance the benefits that these forests provide to the livelihoods of rural communities and the poor?

Final thoughts

Support for emerging enterprises

What is the plan and progress on charter undertakings, specifically;

- Framework agreements between sector and financial institutions
- Fire insurance for emerging small growers
- Transport infrastructure development in support of forestry
- Access to raw material supply for small scale charcoal manufacturers and domestic fuelwood support services
- Forest Enterprise Development Fund
- Capacity building and business support services
- Sawlog supply shortage
- Timber supply contracts for small sawmillers
- Ensuring compliance with the Charter



Thank You

