



**BROAD BASED BLACK ECONOMIC
EMPOWERMENT IN THE FOREST SECTOR: THE SECTOR
TRANSFORMATION CHARTER**

*PRESENTATION TO THE PORTFOLIO COMMITTEE ON WATER
AFFAIRS AND FORESTRY, CAPE TOWN,*

DATE: 07 JUNE 2006



Agenda



Background and Overview of the Process



Vision and Objectives of the
Forest Transformation Charter

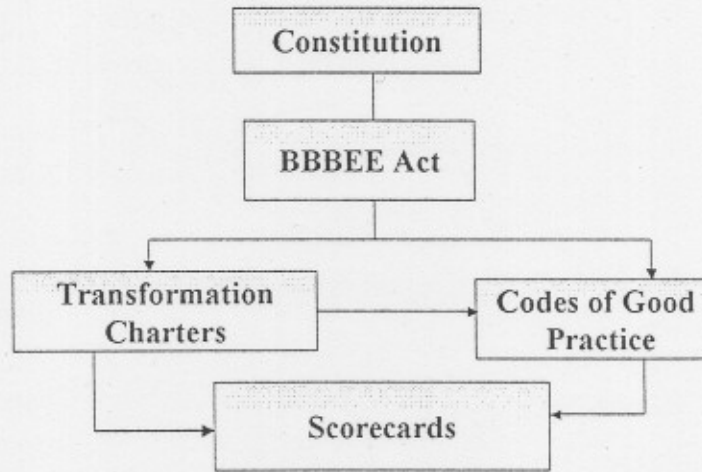
Sub-sector Forest BEE Scorecard
(Targets, Weightings, and Elements)



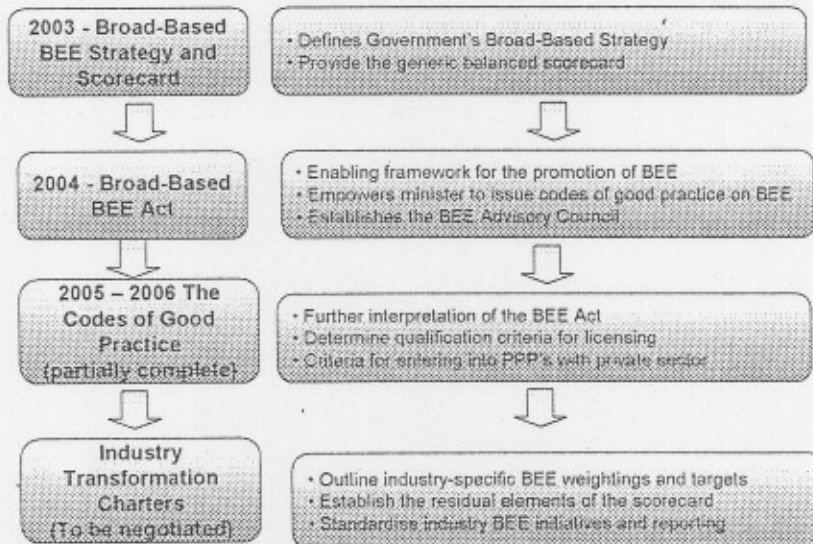
Establishment of Sector Charter Council and Gazetting
of the Charter in terms of section 12 & 9 of the BEE Act

Wayforward and Concluding Remarks

Back ground and Overview Process: Broad Overview of B-BBEE Framework



Back ground and Overview Process: BEE Legislative Framework, cont.



Background and Overview Process

- Official launch of Charter by Minister Sonjica at Indaba in Midrand on 18th April 2005
- Charter Steering Committee was established and began work in June 2005
- Steering Committee established Sub-sector Working Groups to report back to the Steering Committee:
 - ✓ Growers
 - ✓ Forestry Contractors
 - ✓ Fibre (pulp paper, timber board and woodchip)
 - ✓ Sawmillers
 - ✓ Pole & Charcoal

Background and Overview Process

- First task: to develop Charter vision, identify key principles, determine sub-sector challenges and formulated recommendations
- 1st round regional public consultation meetings in East London Durban and Nelspruit (September 05)
- Second task: develop BBBEE scorecards for each sub-sector and identify instruments required for Scorecard achievement
- 2nd round regional public consultation meetings & women's workshops in East London, Durban, Knysna, Polokwane, Ermelo and Midrand (Nov/Dec 05)

Background and Overview Process

- Formulate 1st draft Charter based on inputs received on vision, principles, challenges and recommendations(Dec 05)
- DWAF-DLA workshop on how to fast-track land reform issues in forestry areas (Jan 06)
- Sector's retreat process with Chairpersons to deliberate on scorecard formulation
- Appoint Task Teams to address skills development instruments, financial instruments and Government undertakings (Feb 06)
- 3rd round regional consultation meetings targeting sawmillers, pole treaters and charcoal producers (March 06)
- 2nd and 3rd draft Charter incorporating draft scorecards and BBBEE implementation instruments (April 06)

Background and Overview Process

- 2nd Retreat with Chairperson to deliberate on 3rd draft Charter
- 4th draft Charter incorporating inputs from organised labour (CEPPWAWU & FAWU) updating scorecards and BBBEE implementation instruments (May 06)
- Negotiations on Scorecard targets and Government undertakings on BBBEE implementation instruments currently underway

Constraints to Progress

- Late start by the Fibre Working Group (Oct 06)
- Reluctance by industry (Fibre sub-sector in particular) to commit to sector scorecard targets before national benchmark targets have been finalised
- Inadequate participation in working group activities by established enterprises in the sawmilling, charcoal and pole production sub-sectors.
- Initial difficulties in securing active participation from organised labour
- Difficulties in sourcing adequate information on the current status of empowerment in the sector

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Vision and Objectives of the Forest Transformation Charter



Sub-sector Forest BEE Scorecard (Targets, Weightings, and Elements)

Establishment of Sector Charter Council and Gazetting of the Charter in terms of section 12 & 9 of the BEE Act



Wayforward and Concluding Remarks

Vision and Objectives of the Forest Sector

- To create an inclusive and equitable forest sector in which black women and men fully participate
- To create a forest sector that is characterised by sustainable use of resources, sustainable growth, international competitiveness and profitability for all its participants
- To create a forest sector that contributes meaningfully to poverty alleviation, job creation, rural development and economic value adding activities in the country.

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Background and Overview of the Process

Vision and Objectives of the Forest Transformation Charter



Sub-sector Forest BEE Scorecard (Targets, Weightings, and Elements)

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Wayforward and Concluding Remarks

Sub-Sector and Sector Scorecard

- Forest enterprises that have a total annual turnover of less than R1.5 million will be deemed to be "Exempted Micro Enterprises" that qualify for BEE compliance exemption
- Enterprises with a total annual turnover of R1.5 million or more, but less than R50 million for the fibre sub-sector and R10 million for all other forest sub-sectors are Qualifying Small Enterprises (QSE's) and may elect to be measured using five of the seven elements of BBBEE in the scorecard
- Medium and large enterprises will be measured using all seven elements of BBBEE in the scorecard

Sector Scorecard Weightings

ELEMENTS	SCORECARD WEIGHTING						
	Generic	Growers	Fibre	Saw-millers	Contractors	Pole	Charcoal
Ownership	20	20	20	20	30	20	20
Management control	10	10	10	10	10	10	10
Employment equity	10	10	10	10	10	10	10
Skills development	20	20	20	20	20	20	20
Preferential procurement	20	20	20	20	15	15	20
Enterprise development	10	10	10	10	10	10	10
Residual	10	10	10	10	5	15	10

Sector Scorecard Targets

ELEMENTS	SCORECARD TARGETS						
	Generi c	Grove rs	Fibre	Saw- millers	Contra- ctors	Pole	Char- coal
Ownership	25+1	25+1	25+1 ?	30	50.01	25+1	30
Management control	50	50	50 ?	50	50	50	50
Employment equity	60	60	40 ?	50	50	60	60 ?
Skills development	3	3	3 ?	3	3	3	3
Preferential procurement	70	70	50 ?	70	70	70	70
Enterprise development	2	3	2 ?	2	2	2	2
Residual	1.5	1.5	1.5 ?	1.5	1.5	1.5	1.5

Sector Scorecard: Ownership

- Sale of ownership and business assets to achieve 25% ownership by black people (10% for black women) in existing enterprises in the plantation growing, fibre (?) and pole production sub-sectors
- Higher ownership targets of 30% (15% for black women) in existing enterprises in the sawmilling and charcoal production sub-sectors, and 50% (25% for black women) in the forestry contracting sub-sector.
- Special emphasis on broad based ownership through higher targets and weightings set by all sub-sectors for ownership by black workers, people living in rural areas and black new entrants into the economy

Sector Scorecard: Management, Employment Equity and Skills Development

- **Management Control:**
 - Adopt final Generic Targets: – 50% board members (25% black women); 40% Top management (20% black women)
- **Employment Equity:**
 - Accept draft Generic Targets, except for fibre, sawmilling, contractors and charcoal sub-sectors that have lowered their targets for black and black women representation at senior and middle management levels
- **Skills development:**
 - Accept draft Generic Targets, but wish to broaden definition of skills development spend and the nature of training programmes
 - Forestry contractors propose to replace the organisational transformation index indicators with an industry Code of Good Practice for employment

Sector Scorecard: Preferential Procurement, Enterprise Development and Residual Element

- **Preferential procurement:**
 - Adopt Generic Targets, but concerns about achieving targets with regard to non-discretionary spend on energy and imported equipment
 - Compliance with Codes of Good Practice for forestry contracting industry, small grower contracting schemes and charcoal industry proposed as additional indicators.
- **Enterprise Development:**
 - Priority given to enterprise development, but concerns about EBITDA (earnings before interest, tax, depreciation and amortisation) in measuring spend
- **Residual elements:**
 - Acceptance of targets for corporate social investment and industry specific initiatives
 - Industry specific initiatives defined in the charter