DWAF/DLA Workshop	January 2006
Workshop with DLA to reach agreement on how to fast track land reform issues in forestry areas. An action plan developed, and agreement reached on modalities for DWAF/DLA co-operation.	
Implementation Task Teams	February 2006
Implementation Task Teams develop financial and non-financial instruments to support achievement of the scorecard targets, taking into account existing Government frameworks (BBBEE Codes of Good Practice, skills development frameworks, land reform etc).	
Refining sub-sector submissions	March 2006
Working groups refine scorecards and instruments, based on the inputs received and the DTI Codes of Good Practice for BBBEE. Further regional consultations held targeting specific sub-sectors; saw millers, pole treatment and charcoal makers.	
3rd Round of regional consultations	March 2006
Another round of regional consultations targeting saw millers, Pole treaters and Charcoal makers were held in four provinces in March to elicit more participation in the Charter process by these sub-sectors.	
2nd and 3rd Draft Charter	April 2006
Charter revised to produce a 2nd and later a 3rd draft, incorporating outputs from working groups and implementation task teams, the document detailing government undertakings and comments received from the Steering Committee and other stakeholders. Key issues that require finalisation were identified. Sub-sector working groups and the financial and skills development task teams were tasked to address these.	
Second conveners retreat	May 2006
Conveners of the working groups meet to integrate the task team and working group submissions on outstanding issues, and to review the consolidated scorecard.	
4th Draft Charter	May 2006
The Charter further revised to incorporate a submission from organised labour (CEPPWAWU and FAWU), outputs from the Sub-sector working groups and task teams, as well as the outputs from the conveners retreat. This draft submitted to the Steering Committee for final review and inputs, and these are incorporated into a final draft charter.	
Launched for public comment	June/July 2006
The draft final Charter submitted to the Minister of Water Affairs and Forestry, who then launches the Charter as a draft document for public comments at a national stakeholder indaba.	
Gazetting	September 2006
Submissions received from the public reviewed and incorporated into the draft final charter. The document analysed by an independent party as provided for under the Codes of Good Practice for the development and gazetting of Transformation Charters. Final Charter submitted to Minister of Trade and Industry and Cabinet for approval, where after it is gazetted.	

5. Main Aims of the Charter

The main aims of this Charter is to promote broad-based black economic empowerment in and through the forest sector by undertaking the following:

(a) Promoting investment programmes that lead to sustainable BBBEE-driven growth and development of the forest sector and meaningful participation of black people in the entire forestry value chain.

(b) Achieving sustainable change in the racial and gender composition of ownership, management and control structures and in the skilled positions of existing and new forest enterprises.

(c) Increasing the extent to which black women and men, workers, cooperatives and other collective enterprises own and manage existing and new forest enterprises and increasing their access to economic activities, infrastructure and skills training.

(d) Nurturing new black-owned and/or black-managed enterprises to undertake new forms of economic and value-adding activities in the forest sector.

(e) Using the forest industry as a catalyst for empowering rural and local black communities to access economic activities, land, infrastructure, ownership and skills.

(f) Promoting sound employment and contracting practices in the forest sector.

(g) Promoting access to finance for broad-based black economic empowerment in the forest sector.

(h) Promoting equitable representation in industry structures and equitable access to forestry support systems.

(i) Providing an enabling environment for transparency, fairness and consistency when measuring and adjudicating on matters related to BBBEE in the Forest Sector.

6. Key principles

6.1. BBBEE is Broad Based

Sector Transformation needs to be broad based, both in terms of:

- The spectrum of black people (including women, workers, youth, people with disabilities, and those living in rural areas) that benefit from the transformation process, and
- The set of instruments to be used to achieve the empowerment objectives (ownership, management control, human resources and skills development, employment equity, preferential procurement, enterprise development, social investment and other industry specific initiatives).

6.2. BBBEE is an Inclusive Process

Sector transformation needs to be an inclusive process with participation and commitment of all stakeholders in the sector: all enterprises, whether large or small; both management and labour that operate within the sector, as well as community groups and relevant government departments that interface with the sector. Inclusiveness is required both in relation to the formulation of the Charter and its implementation.

6.3. BBBEE and Economic Growth

The scope and sustainability of BBBEE will depend in large measure on growth in the sector. Being exposed to global markets, the sector needs to maintain its competitiveness and profitability to secure long-term sustainable growth. Providing opportunities for BBBEE in the context of limited potential for expansion of the plantation resource and an internationally competitive forest sector requires innovative thinking on increased productivity, value adding and making BBBEE work for the poor.

6.4. BBBEE and Partnerships

The successful implementation of BBBEE in the Forest Sector requires partnerships at different levels:

- Between different sub-sectors because of vertical integration and horizontal interdependence between different operators in the value chain;
- Between large corporate and small-scale enterprises that operate in the sector: their joint effort is needed to deal successfully with many of the challenges facing the sector and to secure the transfer of skills and mentorship support to empower black owned enterprises to be able to succeed and thrive in the competitive business environment.
- Between the industry with its managerial and technical skills and financial resources) and government that controls the policy and regulatory environment in which the industry operates.
- Between industry and local/rural communities: these communities should both benefit from BBBEE and impact on the socio-economic context in which the forest enterprises operate.

6.5. BBBEE and Good Governance

Good governance must underpin BBBEE. All participants in the sector (management, labour, communities and government) need to adhere to the highest standards of good corporate governance to improve the quality and transparency of business in the sector. Good governance includes being compliant with legislation, following due process, applying fair labour practices, being socially responsible and applying environmentally sustainable business practices. Fronting as a disguise for BBBEE will not be acceptable.

6.6. Shared vision for the Industry

All role players need to commit to a shared vision for the forest industry and seek win-win approaches to tackling the transformation challenges. This needs to be underpinned by a common understanding of the challenges facing the sector and its sub-sectors, and a commitment to implement the strategies and instruments for sustainable growth and broad-based empowerment throughout the forestry value-chain. This Charter represents the sector stakeholders' shared vision for broad-based empowerment with growth for the forest sector.

7. Current Status of Empowerment in the Sector

The following tables present an overview of the currents status of Broad-based Black Economic Empowerment in the Sector with regard to key elements covered by the Sector Scorecard. This is based on available information obtained early in 2006 from a statistically meaningful response rate from enterprises that operate within each sub-sector.

7.1. Equity Ownership

Sub-sector	Weighted Average	
	Black Total	Black Women
Growers		
- Corporate	8,0% 1)	0,1% 1)
- Private Farmers 2)	< 5%	< 5%
- Emerging Growers 2)	> 95%	> 80%
Fibre *(figures still to be updated)*	1,7%	0,0%
Sawmilling		
- Large Millers	20,1%	0,3%
- Medium Millers	5,1%	2,1%
- Small Millers 2)	> 80%	< 20%
Pole Treating	7,6%	0,5%
Charcoal		
- Corporate	1,3%	0,0%
- Small Producers 2)	> 80%	> 50%
Contractors	39,8%	6,7%

1) *Figures estimated from survey data of fibre and large sawmilling groups (i.e. integrated forestry and forest products processing companies)*

2) *Estimated*

Note: The fibre sector comprises a number of large groups with international shareholding and asset profiles (e.g. Sappi, Steinhoff, Sonae, Masonite). Equally, the large sawmilling sector has participants that are still totally or partly state-owned (KLF, Safcol, MTO, SFP, SQF, ATH) or owned by a trust (HMH). All other sectors mostly comprise medium-sized or emerging enterprises in private hands.

7.2. Management Control and Employment Equity

Sub-sectors	Board Level		Executive Management Level		Middle Management Level	
	Black Total	Black Women	Black Total	Black Women	Black Total	Black Women
Growers[1)]	23,0%[1)]	3,8%[1)]	13,0%[1)]	2,7%[1)]	17,6%[1)]	4,7%[1)]
Fibre	24,8%	3,8%	9,1%	0,4%	10,6%	1,9%
Sawmilling						
- Large Millers	19,6%	3,9%	20,5%	7,0%	30,5%	9,8%
- Medium Millers	8,6%	2,5%	5,7%	1,2%	30,7%	1,2%
Pole Treaters	0,0%	0,0%	1,6%	1,1%	4,7%	0,5%
Charcoal	1,3%	0,0%	47,0%	15,8%	83,8%	31,4%
Contractors	33,0%	7,1%	33,8%	12,3%	52,9%	14,2%

1) Figures estimated from survey data of fibre and large sawmilling groups (i.e. integrated forestry and forest products processing companies)

7.3. Other Key Elements

Sub-sector	Skills Development[1]	Preferential Procurement[2]	Enterprise Development[3]	Social Investment[4]
Growers	1,4%	31,0%	n/a	n/a
Fibre	2,2%	21,1%	0,9%	4,3%
Sawmilling				
- Large Millers	1,0%	n/a	n/a	n/a
- Medium Millers	1,0%	n/a	n/a	n/a
Pole Treating	0,8%	7,5%	0,0%	0,5%
Charcoal	0,5%	25,0%	n/a	n/a
Contractors	n/a	n/a	n/a	n/a

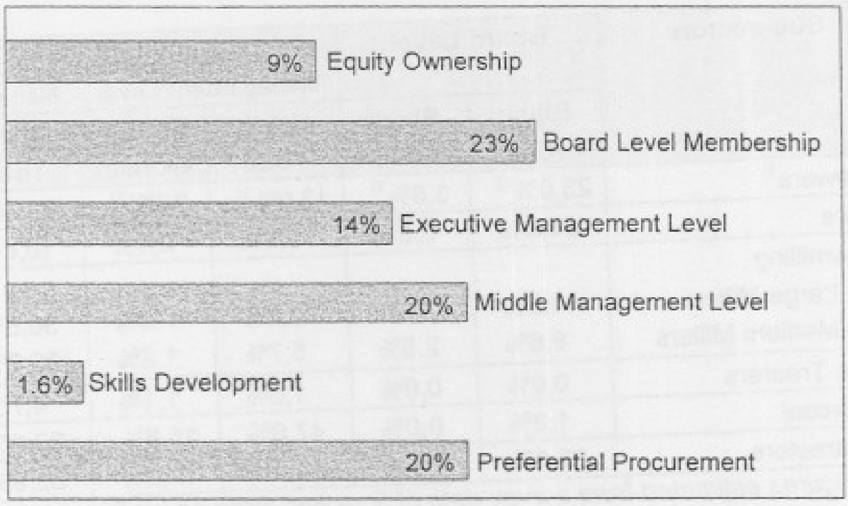
1) Skills Development: Investment as percentage of payroll
2) Preferential Procurement: Discretionary procurement spend on black suppliers
3) Enterprise Development: Investment in enterprise development as percentage of before tax profit (EBIT)
4) Social Investment: Investment in social/economic development as percentage of after tax profit

Note: The high level of 'not available' data is mostly a reflection of the inability by companies to access/ gather reliable data due to lack of systems and that the data provided in the submissions/survey forms is not compatible with the scorecard definition. Only in the case of larger companies in the fibre sector can the data be regarded as representative.

7.4. Conclusions

A weighted average (weighting applied according to sector size) BEE situation for the forest sector as a whole is shown below.

Forest Sector Weighted Average BEE Score



Important findings from the analysis are:

- The forest sector as a whole is generally at about 40% of the anticipated targets set for the individual scorecard elements.
- Significant differences are apparent from the unique structure of the sector; comprising corporate enterprises, medium sized enterprises under private ownership and small producers.
- Participation by targeted groups is a challenge.
- Broad base participation is a challenge
- Small producers (growers and processors) in the sector have a significant BEE profile; medium-sized enterprises have limited BEE status and certain corporates already have made good progress towards greater BEE.
- Black women ownership and employment equity in the forest sector is at very low levels.
- Relatively high levels of spend by large corporate companies in skills development and corporate social investment.

8. Vision of the Sector

Transformation in the forest sector is guided by the following vision:

✓ **An inclusive and equitable forest sector in which black women and men fully participate**

- ✓ **A forest sector that is characterised by sustainable use of resources, sustainable growth, international competitiveness and profitability for all its participants**
- ✓ **A forest sector that contributes meaningfully to poverty alleviation, rural development and economic value adding activities in the country.**

9. Sector Challenges & Recommended Solutions

9.1. Increase roundwood supply

An important trigger for growth and sustainable equity throughout the forest value chain lies in increased local roundwood supply. The main limitation to increased supply is the limited opportunities for new afforestation and problems associated with obtaining afforestation licenses.

Key Challenge	Requirements
New Afforestation	Expedite and streamline afforestation authorisation processes
Most of the remaining land suitable new afforestation is communally owned land in the Eastern Cape and KZN, which offers direct opportunities for BBBEE	Secure land holding rights and structures on communal land
	Community facilitation, extension support and training for new entrants
	Access to funds and financial services for new entrants
	Infrastructure development (roads, telecommunications, electricity)
Improved yields in existing plantations	Restoration and transfer of remaining State forests
	Expedite approval process for riparian zone, jungle and species/genus exchange or conversion
	Combating plantation losses through fire, pests and diseases
	Ongoing productivity gains through improved site-species matching, planning and genetic improvements
	Expedite the settlement of restitution claims on private forest land to encourage re-investment in forest assets
Maintaining existing plantations on land post-restitution	Provide post settlement support to restitution beneficiaries

9.2. Sustainable supply and better utilisation of sawlogs

The country is facing severe shortages in saw timber, as supply has not kept pace with increased demand. The long rotation period for saw logs make this less attractive to the private sector, and until recently the State plantations have provided most of the country's sawlogs. With the State's exit from commercial forestry operations, measures are needed to ensure a sustained and increased production of saw logs

Key challenge	Requirements
Sustainable supply of sawlogs	Industry wide agreement on a saw log growing strategy and programme
Improved utilisation rates by saw millers *Focus on medium to small scale saw millers*	Skills development and training
	Capital investment in new technology

9.3. Local beneficiation in and through the fibre production sub-sector

Substantial opportunities exist to support transformation through the establishment of value adding enterprises in and through the fibre production sub-sector.

Key challenge	Requirements
Maximising opportunities for local beneficiation for raw materials *Local beneficiation opportunities are subject to international market conditions*	Improve access to venture capital and appropriate technology to support new pulp and paper manufacturing opportunities
	Tighten anti-dumping measures in pulp and paper products
	Extend the black engineering and artisan skills base
	Expedite the processing of water permit applications for mills
Develop opportunities for local manufacturing of chemical and machinery inputs procured by pulp, paper and fibreboard industries	Improve access to venture capital and appropriate technology
	Extend the black engineering and artisan skills base
Establish industries based on waste products from pulp, paper and fibreboard industries	Improve access to venture capital and appropriate technology
	Extend the black engineering and artisan skills base

9.4. Equity in the forestry value chain

Despite recent advances in black ownership in the pulp and paper sub-sector, black ownership in the Forest Sector remains highly skewed towards the lower end of the value chain (small scale timber growing and contracting). Moreover the number of black women who manage, own and control enterprises and productive assets outside the small grower sub-sector is very limited. Actions are required to promote greater equity in each of the sub-sectors.

Key challenge	Requirements
Sawmills & mining; Poles; Charcoal; Timberboard; Pulp & Paper	
Increase black ownership of existing enterprises	Sale of equity ownership across all sub-sectors
Growth in value adding activities	New technology to support the development of low-volume enterprises (paper) Improve quality of products amongst smaller producers (poles, charcoal) Improved packaging and marketing opportunities (charcoal)
Sale of business assets	Limited opportunities as a result of vertical integration
Small grower participation in forestry value chain	Apply mechanisms to provide growers with a share of profits that accrue from downstream processing
Plantation Forestry	
Increase black ownership of existing enterprises	Sale of ownership shares, particularly in large forestry enterprises.
Sale of business assets	Sale of plantations to black people
Growth in new enterprises	Promote new afforestation in E Cape and KZN
Restructuring of State Forests	Implement the 10% equity shareholding in leased state forest land earmarked for black-economic empowerment of local communities
	Implement the 9% equity shareholding in leased state forest land earmarked for black-economic empowerment of workers
	Confirm land holding rights and establish land holding structures to enable the transfer of ownership and lease rentals to communities in relation to leased state forest land
	Confirm land holding rights and establish land holding structures, where applicable to the remaining (Category B and C) state plantations

9.5. Empowerment and sustainability of small operators

To ensure long-term sustainability, growth and equity in the forest sector, attention needs to be given to greater empowerment and profitability of existing small-scale grower, forestry contracting, sawmilling, charcoal production and pole treatment enterprises.

Key challenge	Requirements
Empowerment and increased profitability of small-scale forest enterprises: - contractors - growers - sawmillers - pole producers - charcoal producers	Strengthen representative organisations where they exist (growers, contractors and pole producers) & establishing them where they are absent (sawmillers, charcoal producers)
	Regulate contracting and employment relationships through industry codes of practice and the application of existing legislative protections
	Improve access to finance and insurance
	Improve access to skills training and technology for improved productivity and added value
	Mechanisms to secure adequate and regular supplies of raw materials
	Improve access to markets through certification & better infrastructure

9.6. Linking forestry with poverty alleviation and local economic development

Most forest enterprises are located in rural areas where the majority of the country's poor live. The long term growth and stability in the forest sector can only be secured if aligned with broad-based poverty alleviation and local economic development. Government's Poverty Alleviation Agenda, Rural Development Strategy and Local Economic Development (LED) strategy has a key role to play in securing an environment in which the forest sector can develop. At the same time, BBBEE in the forest sector is inconceivable without the industry contributing to poverty alleviation and local economic development, both through employment and enterprise development.

Key challenges	Requirements
To provide improved livelihood opportunities for the rural poor in forestry areas	Improved wages and conditions of employment
	Local economic development through improved viability of existing enterprises and establishment of new enterprises (refer to par. 9.5 above)
	Restructuring of state forest assets to benefit local communities (refer to par. 9.4 above)
	Livelihood opportunities for rural household by providing access to non-timber forest products such as firewood, building poles, medicinal plants and edible fruits
	Use buying power of forest industry as a catalyst for downstream local economic development