



DEPARTMENT OF WATER AFFAIRS AND FORESTRY

DRAFT KEY ISSUE PAPER ON
FORESTRY AND POVERTY IN SOUTH AFRICA

DEPARTMENT OF WATER AFFAIRS AND FORESTRY

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PREAMBLE

A Key Issue Paper is a discussion document that explores a priority subject by synthesising available information on the topic. It identifies the relevance of this information for policy and strategic decision-making; clarifies the Department of Water Affairs and Forestry's role in the subject matter; and identifies and suggests options for action. A Key Issue Paper points the way to policies and strategies that may be necessary to deal with the subject at hand.

This Key Issue Paper explores the link between forestry and poverty reduction. It draws on a substantial body of research literature and case studies that has been conducted in recent years within South Africa (see references). The focus of much of this research has been to investigate the contribution that forestry resources and forestry-related activities can make to reducing poverty.

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EXECUTIVE SUMMARY

Forestry can make a significant contribution to the attack on poverty in South Africa – that is the main message of this paper. It is doing this now, through a successful, growing forest products industry; through a growing number of black-owned new enterprises that have been established in the forestry sector since 1994; and by the lifeline provided to the very poorest in society, who depend on forest resources as one means of securing their livelihood. This paper summarises the many ways in which forestry programmes and initiatives fit into the government's broader agenda on poverty reduction.

Another key message of this paper is that forests are multi-faceted. The forest sector is not just about timber plantations, although the internationally competitive forest products industry that depends on this resource is important to South Africa in a globalised economy. Rather, it is also about the many types of medicinal plants that underpin the health-care of millions of South Africans, the firewood that warms the homes of millions of rural people, and the fruit and shade trees that people plant around their houses. This paper examines how each type of forest resource can contribute to improving the well-being of all South Africans, but particularly the most vulnerable who continue to live in conditions that are deplorable as a new, unified South Africa moves into the twenty-first century.

The role of government in forestry has changed. The State is no longer managing large swathes of forest plantations – this activity has been transferred to the private sector, realizing new business opportunities and supporting broad-based Black Economic Empowerment in the forestry sector. The focus of the Department of Waters Affairs and Forestry (DWAF) is now firmly centred on creating the enabling conditions that will allow broad socio-economic development based on the country's diverse forest resources. This means, in part, developing a range of policies and strategies that address the constraints that have held back the benefits of forestry enterprise from reaching the majority of the population. The roles, rights and responsibilities of different groups – in government, in industry and elsewhere – are being better defined in the interests of the majority. Government bureaucracy that has been weighted towards a system of restrictive regulations must increasingly give way to a more diverse approach, to include incentive-based systems that empower the rural poor. Some of the ways of how this might happen are outlined in this paper.

However, the complexities of the real world work against the likelihood of immediate, quick fixes. In the decade since democracy was introduced the main elements that will allow broad-based economic development have been put in place. In forestry, the 1996 White Paper on Sustainable Forest Development in South Africa and the resultant National Forests Act (1998) provide the framework for sustainable development, co-operative governance and stakeholder participation. The main challenge now is to implement these broad statements of intent, so that the poor benefit from forestry to a much greater degree than has happened in the past. One issue for government is where the balance should lie between support for the commercial wood sector on the one hand and the broader, non-timber economy on the other. Both deliver benefits to the poor.

The intent of this paper is not to provide the basis for a separate forest poverty policy for DWAF. Rather, it is to show how DWAF's poverty focus can be given further content in the department's existing policies and strategy initiatives, such as those covering government support to forest enterprise development and community forest management. DWAF's implementation programme is directed by its Strategic Plan, and making the link between the plan's key focus areas and poverty reduction outcomes can ensure that budget allocation and work programmes focus on the goal of poverty reduction. In much the same way, the national forestry programme provides a mechanism to coordinate South African forestry efforts to focus on poverty reduction. By working through national partnerships greater equity in the utilization of all the country's forest resources can be ensured.

INTRODUCTION

1. The eradication of poverty and underdevelopment is the biggest challenge facing South Africa¹. Government has adopted policies to tackle this challenge and is now developing programmes within three spheres of endeavour:

- Encouraging growth and development of the First Economy, thereby increasing its possibility to create jobs.
- Implementing a programme to address the challenges of the Second Economy.
- Building a social security net to meet the objective of poverty alleviation.

2. Forestry¹ must relate directly with this larger developmental agenda. In particular, the work of the Department of Water Affairs and Forestry (DWAF) needs to make a substantive contribution to poverty reduction in South Africa. This Key Issue Paper provides background information that sets the context of the present challenge; lists key constraints that have held back the poor from benefiting from forestry activities; outlines current opportunities for forestry to reduce poverty; and provides some policy options and solutions that together would make up a pro-poor forestry strategy for DWAF to take forward in the years ahead.

3. The potential for forestry to contribute to poverty reduction varies across the country. This is a result not only of the fact that benefits derived from forest goods and services differ between provinces, but also that the incidence and nature of poverty vary². This paper provides a national overview, highlighting issues of strategic importance. Provincial strategies should follow. An indicative list of forest-related opportunities to achieve growth and benefit the poor at the regional level is given in Annex 1.

THE SCALE OF THE CHALLENGE

Poverty in South Africa

4. Poverty and inequality in South Africa are rooted in the legacy of the apartheid system. Apartheid excluded the majority of the population from the political process, from access to markets, from quality government services, and from ownership of land and other assets. The effects of inadequate education among black society before 1994 are a particular constraint on poverty elimination. Most of the people who are currently unemployed lack the skills required to compete in the formal employment market, or to succeed as entrepreneurs. This history has left South Africa as one of the most unequal countries in the world. The poorest 40 percent are responsible for less than 10 percent of total expenditure, whilst the richest 10 percent are responsible for almost half³.

5. The 1999 Household Survey found that 74 percent of the poor live in rural areas, where at present almost one million households have no access to demarcated arable lands. Growth in employment within the formal and informal sectors is therefore key to the reduction of poverty and inequality, although there is also scope in some parts of the country for poor people to generate better livelihoods through self-employment in small-scale agriculture (including tree planting) or other rural enterprises. A major threat to poverty reduction is the spread of HIV/AIDS. FAO estimates that by 2020 South Africa may have lost up to 20 percent of its agricultural workforce to HIV/AIDS⁴. The rate of HIV/AIDS infections amongst forestry workers is currently estimated at 39%⁵.

¹ In terms of the National Forests Act, 1998, forests include all natural forests, woodlands and plantations as well as the forest produce produced in it. In keeping with this definition, reference in this paper to forestry development and forest activities includes the use of these three categories of forest resources, as well as the primary processing of all timber, non-timber and non-wood forest products derived from these sources.

6. Women, and in particular female-headed households, are particularly vulnerable to poverty in South Africa. Estimates of unemployment among black women have been put as high as 73 percent⁶. The role of women has been historically downplayed in the development process and prevailing cultural attitudes continue to marginalise women's decision-making role in society, and limit their access to basic rights (e.g. land ownership)⁷. Yet despite this, women play a major role in forestry, both as entrepreneurs, employees and collectors of forest produce. Hence, strategies for poverty reduction within the forest sector must take gender issues into account. This is the broad developmental context in which the role of forests in the social and economic development of South Africa is reviewed.

7. An analysis using 1996 census data on levels of income and employment highlighted the geographical distribution of the poor in South Africa. This is summarized in Table 1 below, which indicates that Eastern Cape, KwaZulu-Natal and the Limpopo Province are the poorest regions in the country.

Table 1. Provincial income and unemployment statistics

Province	% Annual income		Unemployment
	Below R6000	R6000-R18000	
Eastern Cape	55%	23%	52%
KwaZulu-Natal	48%	22%	46%
Limpopo	49%	21%	40%
Mpumalanga	37%	23%	32%
Total South Africa	40%	24%	33%

Source: Institute for Natural Resources, 2003. Review of Poverty in South Africa, in relation to Forest Based opportunities. Report prepared for the WFS Forestry Programme, DWAF

South Africa's forests

8. The forest resources of South Africa consist of three main components: (i) savannas, (ii) indigenous forests, and (iii) plantations⁸. Summary profiles are provided below. The 1997 National Forestry Action Plan estimated that between two to three million households gain some significant benefit from forests⁹.

9. *Savannas* contribute the bulk of the wooded land area of South Africa, and are characterised by a co-dominance of trees and grasses. The potential area is in the region of 42 million hectares¹⁰ (one third of South Africa), of which 11 percent is partially transformed and 10 percent totally transformed to agricultural production. Approximately 9,2 million people live in South Africa's savanna areas, and depend upon the goods and services that they provide for some component of their livelihood¹¹.

10. *Indigenous forests* cover a very much smaller area of 533 000 hectares¹². Almost three-quarters of these forests are conserved either as declared State forests or within formal protected areas. Access and harvesting of products was typically restricted for decades, until significant policy shifts in the mid-1990s when more participatory policies and programmes came into being. Relatively few people live within these forests, but communities living nearby extract multiple resources for subsistence and income generation¹³. Many of these communities have submitted claims under the Restitution of Land Rights Act (1994) for parts of these forest lands. The pace of land restitution has been slow and there is uncertainty about when claims will be resolved.

11. *Plantations* cover approximately 1,37 million ha of South Africa¹⁴. Over 80 percent of them are found in three provinces: Mpumalanga, KwaZulu-Natal and the Eastern Cape. These forests produced more than 22 million m³ of commercial roundwood in 2003¹⁵, worth an estimated R5.1

billion¹⁶. They provide direct employment for approximately 107 000 people, of which 67 500 are in formal employment, 30 000 are contract workers and 39 500 are small growers and their helpers¹⁷. Importantly, plantation forestry provides the raw material for downstream activities such as pulpmilling, paper manufacturing, saw milling, wood chip exports, timberboard, mining timber and treated poles. The value chain linked to plantation forestry is depicted in Figure 1. Taking into account the multiplier effect of plantation forestry through its downstream value adding activities and the effect it has on local (mostly rural) economies, between 390 000 and 560 000 people are dependant on plantation forestry for their livelihoods¹⁸. The contribution of plantation forestry to the economy of different provinces is outlined in Table 2 below:

Table 2. Plantation forestry GDP by Province, 2002/2003

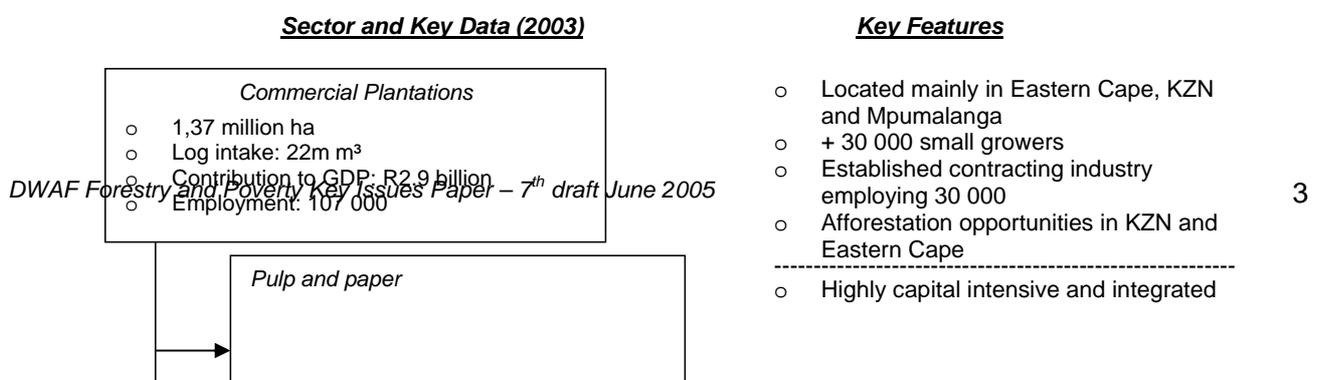
	Forestry as % of provincial GGP	Regional forestry GGP as % of total forestry GDP	Forestry employment as % of provincial employment
Mpumalanga	1.4	40	3.2
KwaZulu-Natal	0.5	37	1.4
Limpopo	0.2	5	0.4
Eastern Cape	0.3	9	0.5
Western Cape	0.1	6	0.1
Total South Africa	0.2		0.6

Source: Genesis, 2005. The contribution, costs and development opportunities of the Forestry, Timber, Pulp and Paper industries in South Africa. Study commissioned by the Department of Trade and Industry and the Pulp and Paper Manufacturers Association.

12. There are environmental costs associated with forestry. According to a recent study of the Forestry, Timber, Pulp and Paper industries in South Africa the maximum quantifiable environmental costs of plantation forestry is R562 million per annum, which reduces plantation forestry's gross contribution to GDP of R2,9 billion to a net contribution of R2,4 billion in 2003¹⁹. The same study estimated the net environmental impact for the forestry and the forest product sector as a whole at R1,8 billion, which reduces the sectors contribution of R12,2 billion in 2003 to R10,4 billion. Factors such a water quality, stream flow reduction, solid waste, air emission, energy use and carbon sequestration were taken into account in calculating environmental costs. The impact of plantation forestry on biodiversity could not be quantified due to insufficient data and are thus not accounted for in these calculations. The study, however, found that the impact of plantations on biodiversity is similar or lower than other agricultural activities. The commitment by the forestry industry to improve environmental performance is demonstrated by the fact that over 80 percent of the plantation area has now been certified under independent third party schemes²⁰.

13. Plantation forestry has seen recent growth as a livelihood option for small-growers, with most of the large commercial companies having schemes to promote tree planting by farmers. There are currently an estimated 24 000 small growers in formal schemes and between 5 000 and 10 000 independent small growers, with a total estimated area of 70 000 hectares, concentrated in KwaZulu-Natal and the Eastern Cape²¹.

Figure 1. The value chain linked to plantation forestry in South Africa.



14. *Trees outside forests* are an often over-looked component of the national forest resource. However, much of the agricultural landscape in South Africa is derived from natural woodland, and trees on farms represent an important asset for many farmers. Trees are also a significant feature in villages, towns and cities throughout the country, where they make an important contribution to the well-being of the urban population. The scale of active management of such trees is poorly known, yet there is no doubting that poor households plant a range of trees - millions of individual plants - to contribute to their various livelihood needs. This is perhaps the least well-understood component of forestry in South Africa.

15. The 1996 census data was analyzed to assess the incidence and locations of households earning less than R1 500 per month (R18 000 per annum) in relation to the presence of forests²². This analysis showed a high incidence of poverty in regions with significant areas of woodlands, natural forest and plantations. These "hotspot" areas have been highlighted in red in the map below and indicate census districts with particularly high percentages of the population living below R18 000 per annum. This does not establish a causal relationship between forestry and poverty but, rather, points to the fact that forestry resources are concentrated in rural areas where unemployment and poverty is high and alternative economic activities and employment opportunities are scarce. This underscores the need to view forestry as an important resource to address poverty in South Africa.

The changing role of government in forestry

16. The past decade has seen significant changes in South African forestry. After 1994, the White Paper on Sustainable Forest Development in South Africa and the 1998 National Forest Act moved government's role away from managing State forests to promoting the needs, interests and participation of rural communities in forest management. The Department of Water Affairs and Forestry (DWAF) has responded to this new policy context with a range of initiatives and in 2003 produced a Vision Statement to guide its forestry activities: *"Forests are managed for people and we need to create an enabling environment for economic and social development through sustainable forestry, especially at the local level"*. This enabling environment concerns the extent to which relevant policy and legislation promote positive outcomes for the poor; how accessible and tailored the bureaucratic procedures are; and how responsive the market structure and system is to the needs of new entrants or small-scale producers. The Vision implies a significant departure away from DWAF's previous role of forest manager to one that puts people at the centre of all its activities.

17. Effective service delivery by government will depend upon better co-ordination across departments and with civil society. DWAF's emerging role as an institutional coordinator requires certain skills that are different from traditional plantation management. The development of these new skills will take time. Equally, at the operational level, the capacity for participatory forestry is not yet widespread. Significant capacity constraints remain in local government, which has implications for the strategy to empower local service providers. So, although there is now a new policy environment, the implementation of that policy, so that poor people benefit to a much greater degree than in the past, continues to represent a considerable challenge.

WHAT FORESTS OFFER THE POOR

Subsistence and informal trade

18. As in other countries, the very poorest have to rely on the collection of a wide range of items growing in the wild to sustain and supplement their livelihoods. Forest resources provide three types of benefit, namely (i) the supply of basic needs, (ii) a saving of cash resources, and (iii) a buffer or safety-net during times of misfortune.

19. *The supply of basic needs* is a function that forest resources play for a large number of poor people. Firewood, building poles, medicinal plants, and edible fruits are all critical to the livelihood of the rural poor. Over 80 percent of rural households use fuelwood as their primary source of energy²³. Nearly all of this, some 13 million m³ annually, is taken from savannas, indigenous forests and plantation off-cuts. This fuelwood use has a gross national value of approximately R3 billion annually²⁴ or, for those using fuelwood, just under R2 000 per household per year. This situation is predicted to continue for the foreseeable future, with approximately 2,3 to 2,8 million households relying on fuelwood for cooking and heating for the next decade or more²⁵. Primary health care for the poor is also heavily dependent on forest resources. The 28 million people and 300 000 traditional healers who use traditional plant medicine in South Africa²⁶ depend on their continuing supply – up to 75 percent of the plant material in urban markets is forest or savanna species and the most favoured species come from forests²⁷. Approximately one-third of medicinal plant material is tree bark. Forests also make an important contribution to the nutritional well-being of many poor people, with edible fruit and other forest foods (including bushmeat) being important sources of nutrition at various times of the year. User households extract considerable volumes of these forest resources on an annual basis. There are also clear indications that it is the poorer and more isolated communities, as well as households that are less well off or headed by women, which are more dependent on these resources.

20. *Cash saving* – the saving of scarce cash resources, which may then be used for other household needs – is an important role played by these same forest resources. Being able to collect such resources to meet daily needs for energy, shelter, medicine and food allows scarce cash resources to be used to secure other household needs, as well as helping to accumulate the necessary asset base for a more secure livelihood. This includes the education of children, investment in agricultural tools, and capital for income generation activities. It is estimated that such cash saving amounts to several thousand Rands per household per year²⁸. The magnitude of this saving is greater to poorer households than wealthier households simply by virtue of the reduced total income sources and sizes for poor households. This cash saving also has benefits at the national level, as government would incur some of these costs were it necessary to provide these services in rural areas²⁹. Although no comprehensive quantification has been attempted, these costs are estimated to be worth at least several hundred million Rand nationally per year.

21. *The safety-net function of forest goods*² refers to the role they play in assisting households cope in times of adversity. Events such as death, disability or the retrenchment of a member of the household, as well as natural disasters, the need to pay annual school fees, or unanticipated and large increases in the cost of staple foods and goods, can stretch families beyond their normal capacity to cope. The impact of deaths as a result of HIV/AIDS has become significant in recent years. During such times many rural households turn to forest resources for subsistence or as a means to generate income. Because the safety-net function of forest resources is temporally variable, there is little information regarding its prevalence throughout rural communities. But there is no doubt it is widespread. Many small-scale vendors of forest resources recount that the initial impetus for them taking to selling was some household hardship, especially for those with limited or no formal education³⁰.

Business opportunities

22. *The commercial forest sector* offers significant business opportunities for small-scale entrepreneurs, particularly for small growers, contractors and sawmillers. This includes more than 30 000 small growers, 240 small saw millers and 300 independent contractors, of which half are black emerging contractors. In addition to this the pulp and paper industry has created more than 10 000 income opportunities for waste paper vendors³¹. The gross annual revenue from the sale of timber by 25 000 small-scale growers to large forestry companies was in the order of R115 million for the 2003/4

² **Forest goods** include both forest produce (e.g. mushrooms, firewood) and forest products (e.g. saw logs, fence posts).

financial year per year³². The estimate is conservative in that it does not take into account the out-of-hand sales of poles, firewood and other forest products that growers make to local buyers. It is further estimated that approximately 35% of this revenue is taken up by the production costs of growing and harvesting timber that is paid to others outside of the immediate community in which the timber is grown.

23. *Income from the trade in forest goods* constitutes a significant business opportunity for many small-scale entrepreneurs. There is widespread trade in forest goods both within rural communities and in external markets. This high participation in small-scale trading belies the frequently poor returns to labour. Often, however, there are limited alternative economic opportunities available to the rural poor, who are already marginalised by poor skills, education, infrastructure, remoteness and limited access to more substantial employment opportunities. So, whilst returns to labour are low in absolute monetary terms for some products, they compare favourably to the immediate alternatives of local wage labour, assuming that it is available. In addition, this is usually only one livelihood strategy within the household portfolio. Rural livelihoods are characterised as being diverse and opportunistic³³. Overall, the factors that make forests resources attractive to poor people as a means of earning a living (such as low barriers of entry, low or zero capital requirement, high labour intensity) are the same factors that cause them to have a relatively low market value.

24. Although cash returns to small-scale trading in forest goods are generally low, they are also highly variable, being influenced by a host of local and external factors. One important factor is simply the amount of time entrepreneurs devote to trading. Many people engage in forest product trade as a part-time activity, for either a few hours a week, or at a particular time of the year. Consequently, it is not surprising that their absolute incomes are often low. Thus, for any single forest product enterprise, be it marula beer sellers, woodcarvers, timber small-growers, medicinal plant collectors or fuelwood vendors, a large number of people earn relatively small amounts, but there are also those that earn several or tens of thousands of Rands per year³⁴.

25. Some resources are only available on a seasonal basis, for example, mopane worms, marula fruit and mushrooms. Nonetheless, income earned is still important as it can be used to settle debts or make payments that do not occur frequently, such as school fees, the purchase of agricultural implements, or household improvements. Some vendors adapt readily to this seasonality, and utilise different resources as the seasons change.

26. *Other benefits from trade in forest goods* are appreciated by participants. The ability to work at home (frequently mentioned by mothers); working in parallel with other household chores (e.g. selling fruit or firewood at the side of the road and only attending to the stand if a vehicle stops); the opportunity to involve and work with all family members; the ability to earn and control cash independent of the household head (frequently mentioned by women), and to be able to make a contribution to the household, however small (mentioned by pensioners) are some of the non-monetary incentives that poor people describe in explaining their involvement in the marketing of forest goods of low value³⁵.

Employment

27. The forestry industry is of considerable importance to the national economy, and to large numbers of poor people living in remote rural areas. Originally established under state ownership, the commercial plantations are now predominantly privately owned. The forest products industry ranks amongst the top exporting industries in the country, contributing some nine percent to the overall export of manufactured goods and earning net foreign exchange of approximately R8.8 billion in 2003³⁶. In the same year, the commercial forest products GDP was R12,2 billion and employed an estimated 170 000 permanent, contract and informal workers³⁷. This amounted to 1% of national GDP and 1,4% of total formal employment³⁸. This is comparable with other large sectors. The textiles,

clothing and leather goods sector contributed R10 billion to GDP and employed 193 000 in 2003, gold mining contributed R23 billion and employed 191 000. As mentioned earlier, between 390 000 and 560 000 people mostly rural South Africans earn a living and can support their families on the basis of this industry.

28. The benefits from employment are greater than simply a regular and secure salary, although this is undoubtedly the core value. Salary levels vary, depending upon the nature and profitability of the enterprise. Within the formal sector, the bulk of the large plantation-forestry companies and their subcontractors comply with minimum wage levels (currently just over R700 per month) set by government, as well as other employee benefits advocated in the labour law, such as pension schemes, vacation leave, sick leave, compensation for work related accidents, unemployment fund contributions and further training opportunities.

29. The majority of plantation forestry workers also enjoy benefits such as company housing, which in most cases is serviced with water, sanitation and electricity. The capital investment of this housing alone is in the region of R320 million in current terms³⁹. The maintenance and servicing of these houses generates further downstream jobs and benefits not linked directly to the forestry sector. The provision of housing in rural areas for employees of forestry companies is also inextricably linked with other services and amenities required by any community. Thus, the six largest forestry companies each provide pre- and primary-schools and clinics in areas where they have a concentration of employees. Over 14 000 children are schooled in these forestry-sponsored schools. There are over 60 medical clinics under the auspices of plantation companies providing preventative and basic health care (including the treatment of HIV/AIDS) to employees and neighbouring communities. Another key benefit of formal employment is access to vocational, technical or academic training. Forestry South Africa (FSA) reports that approximately 65 percent of employees receive some formal training in any given year. Of particular importance is access to adult literacy classes, which plainly has broader livelihood benefits well beyond the ability of the employee to perform his or her job. Many forestry subcontractors provide food rations to employees, which reduce food insecurity within the rural household, but with a trade-off of lower cash wages.

30. Another major source of employment in rural areas is tourism. Tourism is the fastest growing economic sector in South Africa and now contributes over seven percent of national GDP. The majority of international tourists include a trip to see wild animals in State or private conservation areas, most of which are in the savanna areas of the country. Between 200 000 and 250 000 people annually visit the state-owned indigenous forests of the southern Cape and Tsitsikamma⁴⁰. These forests are a key resource for tourism in the region and for the country as a whole. Although much of this value is captured by large commercial operations, and not by poor rural communities directly, these commercial tourism enterprises are a valuable source of employment. In addition, this sector provides infrastructural investment in remote areas, where few economic alternatives exist for local communities.

Environmental values

31. There is limited information on the ecosystem services value attached to South Africa's forests. While some estimates have been made, they have not apportioned what fraction of the benefits is captured exclusively or primarily by rural communities and what proportion by society at large. However, such services are important to the rural poor, in part as the related costs are borne disproportionately by such people.

32. *Forestry and water yield* is a significant issue in South Africa, where water is a scarce resource. This is particularly felt in rural communities, where poor people continue to suffer much hardship in accessing safe drinking water. Knowledge of water use by the forest industry and minimising waste of such usage are therefore important considerations. Generally, well managed forest plantations can

have positive effects on water quality by reducing surface run-off, evaporation and loss of topsoil. However, poor management of certain forest operations (e.g. road construction, timber extraction and site preparation) can result in large quantities of suspended sediment being discharged into river systems. Plantation fires, although infrequent, can also result in the release of sediments into streams, raising sediment yields by up to 20 times.

33. *Conserving the biodiversity* within the country's forests is linked to the livelihoods of many people. However, there is a weak knowledge base on the status of this biodiversity in both the savannas and indigenous forests of South Africa. The store of biodiversity in the latter is far greater than would be expected from their 0,5 percent⁴¹ coverage of the country, with over 1 300 plants species, 37 mammals and 313 species of birds. Nearly all the canopy trees within the indigenous forests have some traditional or commercial use⁴². Therefore, the loss of these forests is not just an academic concern, but also one that will have significant impact on large numbers of poor people. Similarly, woodlands have thousands of species (5 900 plants, 175 mammals, 540 birds), of which the majority are used for one purpose or another. In contrast to forests, millions of people live in the woodland biome, and in pursuit of their daily lives have large and long-lasting effects on biodiversity.

34. It is not just the numbers of species that is important, but the broader goods and services provided by biodiversity. These include regulating ecosystem resilience, providing nutrient cycling, water regulation, and cultural and aesthetic services, all of which are essential for human life and well-being.

KEY CONSTRAINTS PREVENTING THE POOR FROM BENEFITING FURTHER

History of conflict

35. There can be little doubt that the history of South Africa constrains current efforts to help poor people benefit from forest resources. The country's history of conflict has to be addressed in a sympathetic way within the forest sector just as much as in society in general. Competing claims over forest resources have led to dissatisfaction resulting in violence, theft and arson. Under these circumstances, building mutual trust between the government and local people is a fragile process which takes considerable time. The process is made more difficult by the raised expectations that external interventions by government can produce in many communities. In general, forest managers have not anticipated these conflicts and when they have occurred there have been considerable delays in finding appropriate solutions.

Technical constraints

36. Overcoming the technical constraints that hold back forest development has long been the focus of attention for professional foresters. Considerable progress has clearly been made in addressing such constraints in South Africa – the establishment of over one million hectares of exotic plantations is a powerful demonstration of what can be done. Despite this, a number of significant technical issues hold back the delivery of forestry benefits, particularly to poor people. One important concern is the continuing lack of scientific knowledge about many forest resources. For example, the appropriate yield that can be harvested without damaging natural population levels has yet to be determined scientifically for a number of important forest plants. Without such knowledge sustainability cannot be assured. There is evidence that current extraction rates for preferred medicinal plant species, such as *Ocotea bullata*, *Siphonochilus aethiopicus* and *Warburgia salutaris*, are leading to population collapse in some areas⁴³. If this is the case then the livelihoods and enterprise opportunities based on these resources are both threatened, as well as the survival of the plant species concerned. Even if sustainable off-take levels were known, lack of mechanisms to monitor yield levels represents a considerable constraint. Without monitoring it is difficult for

management to adapt to changing conditions at subsistence level, or to determine equitable allocation of harvesting rights at the enterprise level of activity (e.g. the commercial harvesting of indigenous timber species and ferns in the Southern Cape).

37. Other technical constraints include the transfer and popularisation of new technology suited for small-scale production. Much of South Africa's research and development effort has been geared towards the needs of the established, large timber companies, in part reflecting the low level of government funding for forest research⁴⁴. Many technical difficulties faced by small-scale operators, from cultivation regimes through to efficient methods of processing and market development, continue to hold back the growth of small businesses.

Economic constraints

38. Perhaps of greater significance for many poor people than these technical constraints are the economic constraints that confront those who wish to market forest goods. These can be substantial, making entry into the market often difficult and uncertain. For example, the market for many manufactured timber products is already mature. Buyers have become accustomed to the few reliable companies that have been in existence for decades. These markets therefore offer little opportunity for new entrants. Even when market opportunities present themselves supply constraints can apply. For a number of years, small-scale sawmilling has suffered from an under-supply of sawlogs. These businesses developed largely around state owned plantations, which have suffered from lack of investment in recent years. Without long-term contracts, supplies are irregular and often insufficient to meet demand. Poor infrastructure, particularly in the previous "homeland" areas, exacerbates these problems by making access to plantation resources difficult, thus increasing the cost of operations.

39. A constraint that applies to some forest goods is the difficulty of acquiring the quantities that are required by commercial markets. Another constraint associated with many forest goods is the haphazard way in which such products are marketed, leading to misunderstandings between seller and buyer. Under such circumstances the collectors of forest produce tend to get very little from the value chain.

Governance constraints

40. Issues of governance are perhaps the most significant group of constraints that prevent the rural poor from benefiting from forest goods and services. Good governance has been defined as: *The transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development, in the context of a political and institutional environment that upholds human rights, democratic principles and the rule of law.*⁴⁵ Although clearly of relevance to formal government structures, governance concerns relate in addition to the private sector, civil society groups and rural communities.

41. Defining the rights, roles and responsibilities associated with forest use is crucial for the poor to receive an equitable share of the benefits from forestry. At present, great uncertainty exists over the long-term ownership of forest lands. The majority of state forest lands managed by DWAF are subject to land claims through the Restitution of Land Rights Act of 1994 or subject to tenure upgrading through the Communal Land Rights Act of 2004. The latter confers registered land rights to persons and communities who occupy and use land held under tribal customs, customary or indigenous law, including land vested in the South African Development Trust, and former self governing homelands. In the absence of the speedy resolution of these claims and greater security of tenure many people are left wondering how the benefits will eventually be shared. Uncertainty also exists on the ground with regard to the powers and responsibilities of traditional authorities and local communities in the management and control of woodlands, indigenous forests and woodlots in communal areas post-1994. The emergence of new municipal structures in rural areas and their roles and responsibilities

vis-à-vis those of traditional authorities are not well understood and have effectively weakened local control over forest resources in many areas of the country⁴⁶.

42. This uncertainty means that local people, communities, and authorities have little means and support to enforce rights and traditions with respect to using local resources. Local and external people ignore long-respected rules and regard resources as a free for all. Once there is clarity on rights, local users and authorities must be given the power, support and means to enforce them.

43. At the same time, local traditional processes and structures remain poorly known and understood at national level. The existence of a dual legal system (i.e. Customary Law and General Law) has contributed to a lot of confusion and conflicts in rural areas, including disputes over forest resources. In addition, inter-agency co-ordination between DWAF and other government departments remains weak in some regions, slowing down conflict resolution in instances that depend on coordinated action from the government.

44. There have been enormous gains in the regulatory system since 1994, with the 1998 National Forest Act (NFA) designed to promote sustainable use, co-operative governance and stakeholder participation. Despite this, the system remains restrictive in some areas, with excessive bureaucracy and overly constraining regulations. For example, it remains difficult for small growers to obtain the necessary licences for afforestation under the National Water Act, and therefore many have established their plantations illegally. As a result, companies are now finding difficulty in supplying their mills with timber purchased from such small growers without affecting their certification conditions. Providing exemptions from the cumbersome licensing procedure might be one solution. Such an approach has been introduced within the NFA. However, only communities neighbouring State forests wishing to collect forest produce for domestic use are exempt from having to obtain a licence under the NFA. All other forest produce collection requires authorization from DWAF, and the practicalities of obtaining these licenses are fraught with problems.

45. Growth and increased employment in the commercial forest industry is constrained by a wide variety of legal requirements that negatively affect the business environment in South Africa in general and the forestry sector in particular. Overall, the regulatory system is one that is still weighted heavily towards licensing and sanctions; incentives remain less well developed. In fact, the situation has deteriorated, as government incentives that have existed in the past to support the forest industry no longer apply.

46. Without active participation of the poor in determining new policies associated with forest development, such policies will never fully respond to their needs. Despite the unprecedented involvement of civil society in the development of the 1997 National Forestry Action Plan, this level of participation has not been retained and as a result the 'voice of the poor' has diminished in policy circles. Perhaps the most affected group – rural women – remains the least represented in policy discussions. An associated constraint is that user groups are poorly organised and so cannot present a uniform lobby to promote their cause. At enterprise level, there are no centralised marketing bodies for small-scale forest goods, and so primary producers have to market their goods via personal business relationships, which can put them at a considerable commercial disadvantage.

47. An important constraint to commercial forestry's role in poverty alleviation lies in the unequal power relations that exist between forestry companies and contractors, as well as the lack of training and management skills within the forestry-contracting sector. This industry consists of about 300 independent contractors employing some 30 000 people, with an annual turnover exceeding R600 million⁴⁷. The forestry contractors are mainly involved in harvesting (80 – 90%), transport (60%), silviculture (33%) and fire services (33%)⁴⁸. Other lesser activities include weeding, spraying, road maintenance and nurseries. The majority of forestry contracting activities are undertaken under the

auspices of SAFCA (South African Forestry Contractors Association), which has 239 members, of which 40% are black empowered businesses⁴⁹. Contractors who are not members of the Association are mostly small-scale contractors, the majority of whom are black. SAFCA mentions the following key features of the contracting industry:⁵⁰

- Whilst most members comply with the minimum legal labour regulations, some contractors pay low wages, provide minimal benefits and generally poor working conditions. Many of these businesses operate at thin margins with an average profit ratio of below 5%. Under these circumstances, it is doubtful if they could continue operating if they were compelled to improve wages and benefits to any significant degree.
- At present, there is only one women contractor in the Association. It is estimated that between 30 – 35% of workers in the contracting firms are woman. Most work in the sector is based on piecework.
- The large growers place a constraint on the growth in the size of contracting firms. This is because the large growers tend to award a series of small contracts of limited length to a number of contractors, rather than large contracts to one or two firms. They do this as a means of spreading risks and exerting control.
- HIV/AIDS is becoming a serious problem in the contracting sector and is affecting the functioning of some operations.

The forestry sector is aware of these problems and two forestry sector initiatives, the Forestry Contractors Productivity Initiative (FCPI) and the Contractors Upliftment Programme (CUP), are currently underway. The main purpose of these initiatives is to promote productivity and black economic empowerment in the contracting sector. Yet much more needs to be done to promote greater equity and efficiency in this sector (Box 1, below)⁵¹.

48. Information needs also remain acute, with serious blockages in information flows that put the poor at a disadvantage. Presently, there is very limited capacity for communication within communities to ensure that potential and newly established entrepreneurs gain access to existing information about business opportunities and the requirements of such opportunities. Opportunities for training also remain limited across most forest related enterprises. In many cases, particularly in the sub-contracting sector, there is lack of funding to train employees properly. Yet, upgraded skills will be required if more value adding is to take place.

OPPORTUNITIES FOR FORESTRY TO REDUCE POVERTY

Safeguarding subsistence use and informal trade

49. Subsistence use of forest produce does not offer much prospect for the rural poor to escape poverty. However, until such time that alternative pathways out of poverty can be found these resources will continue to be important for many poor people, thus contributing to the objective of poverty alleviation. The greatest challenge facing the country in this regard is balancing the need for poverty alleviation with forest conservation so as to ensure a sustainable supply of forest produce for subsistence use. Without the continuing supply of firewood, construction poles, medicinal plants and forest foods the existing hardships borne by the poor will undoubtedly increase. Unfortunately, much of this use remains hidden from the national economy, as the necessary statistics demonstrating their importance in the rural economy are not collected in any systematic way.

50. The *informal, local trade in forest products* provides important livelihood security for some of the poorest and most marginalised members of rural society⁵². In promoting strategies that emphasize growth, the value of this local-level trade that helps to reduce the vulnerability of the very poorest should not be ignored.

Box 1 . The women bark strippers of KwaMbonambi : can jobs alone alleviate poverty?

A group of women working for forestry harvesting contractors on company owned plantations in KwaMbonambi were interviewed to assess the extent to which contract jobs in forestry contribute to poverty reduction. The interview took place in the plantation company's forest village, where they are accommodated. The village comprises solidly built brick houses and communal cooking and washing facilities, set in well maintained and attractive grounds. However, inside these houses you get a feeling that it is more of a sleeping than living space, as the only items you find inside is a mattress or piece of cardboard on the floor with a blanket or cloth to cover them. Home to these women is where their children are back in the rural village with their extended family. Children are allowed to visit but not live in the village. All the women are single, aged between 19-40 years, with an average of four children each. They are the sole breadwinners providing support for their children and other members of the extended family back in the rural areas.

The women are all "strippers"; their job is to strip the bark off felled trees. Stripping is physically demanding and carries a high risk of injury. They begin work at six in the morning, and return at around three or four in the afternoon. The daily wage rate currently is at R42.50, but from this R6.50 is deducted for housing, leaving a daily rate of R36.00. At this rate, working 5 days a week, a worker should expect a wage of around R780 a month, but in reality their pay is between R500 and R720. The reason for this is the performance based system, or "task system" the women work to. To earn the day wage, they must complete their task, which is to strip 35 trees. If they do not complete their task, it is carried over to the next day. Most of the women said they do not complete their task allocations and they use the Saturdays to narrow the backlog.

Aside from wages, the women have very few employment benefits and no mechanisms for collective bargaining. As contract workers, they do not have access to pension funds, medical care, or paid annual leave. If they fall ill, they need to produce a doctor's certificate to access paid sick leave. A visit the doctor costs R100, which most are unable to afford. If they are injured on duty the contractor pays a limited number of leave days and thereafter the injured worker must rely on payout from UIF. If they are no longer employed, they are given 10 days to vacate their accommodation. With HIV/AIDS infections rates running at an estimated 39% amongst forestry workers, a distressing picture emerges of scores of penniless, ill, and malnourished workers being sent back to die in rural areas, without any benefits from their years of employment.

The women go home once a month on Sunday after they are paid. This is the only time they have to spend time with their children and families, and to take home food and cash. The women listed the basic food items they take home every month, the cost of which amounts to around 60% of their earnings. They also need to leave money at home for school fees and transport, and other day-to-day purchases, leaving very little left for them to live off for the rest of the month. Most of the women said they get credit to buy food and other necessities for themselves from the local general dealer. When the next month wages come in they first must pay back this debt. Debt traps such as these are an indicator of chronic poverty.

Undoubtedly, forestry contracting provides jobs to the rural poor and particularly women. However, under the current conditions, and with no mechanisms in place for collective bargaining, the prospects for the majority of forest workers to get out of chronic poverty and indebtedness appear bleak.

Prospects in the different sub-sectors for promoting equitable forest enterprise

51. The forest resources of South Africa represent a considerable natural asset for economic growth, based upon both enterprise and employment opportunities. However, it is important to recognise that these forest resources are not uniform – there is considerable differentiation within the sector. So, to explore further the potential opportunities for the poor this section looks more closely at the different

sub-sectors and examines each in turn. Table 3 summarizes the more important economic and developmental facts pertaining to each sub-sector.

Table 3. Pro-poor growth opportunities based on forest resources (taken from several recent studies⁵³)

Sub-sector	Economic context	Growth prospects
Commercial plantations	Growth in downstream processing industries is dependant on growth in domestic plantations. Rural employment and ownership opportunities	Current supply just meeting demand GDP growth will increase demand Opportunities for afforestation in KwaZulu-Natal and Eastern Cape
Medicinal plants	28 million consumers nationally 300 000 traditional health practitioners 16 000 harvesters gathering wild plants in KZN	Declining due to supply restrictions But vast national demand exists Commercial cultivation
Large and small-scale sawmilling	20 000 - 30 000 employees in existing sawmills. There is need for greater stability and profitability in small scale sawmilling	Limited growth in sawmill demand projected, but large growth projected for sawn timber. DWAF plantations represent a significant resource
Manufactured timber products	Established sector with some niche opportunities 900 furniture manufacturers in SA No estimate of employees available	Small growth prospects in furniture components, DIY products, packaging products and timber grading
Charcoal	Rural employment and ownership opportunities 5 500 employees in charcoal industry	Industrial and retail demand strong Joint venture projects under development
Pole production	Rural employment and ownership opportunities 150 pole treatment plants operating in SA	Good growth prospects, based on remaining DWAF plantations
Honey production	Rural employment and ownership opportunities 2 400 bee farmers	Current national demand exceeds supply
Forest-based conservation & tourism	Rural employment and ownership opportunities Estimated 200 000 employed in the game park and eco-tourism industry	Tourism is a key growth sector in the South African economy

52. *Plantation forestry* offers considerable promise for growth. Recent projections of future demand for roundwood have indicated that a considerable expansion of the existing plantation estate is required if South Africa is to remain self-sufficient in roundwood, and make a significant contribution to foreign exchange earnings⁵⁴. It has been estimated that there is scope for afforestation over an area of 40 000 hectares in KwaZulu-Natal and 60 000 hectares in the Eastern Cape⁵⁵. Added to this is the opportunity in the Eastern Cape to convert 10 000 hectares wattle jungles to managed plantations and the improved utilisation of the remaining DWAF plantations. The bulk of this development would be on communally owned land, based on community or small grower schemes, and thereby creating an estimated 41 000 jobs, supporting 328 000 people⁵⁶. This represents a major opportunity for improving rural employment and economic growth in the more disadvantaged parts of South Africa (Box 2). The South African forestry industry already displays a strong comparative advantage in plantation management and has considerable experience of partnerships between large commercial companies

and small-scale tree growers. Such partnerships would clearly have to be part of the overall strategy to achieve the large-scale plantings required.

Box 2. Experiences from the Cata community forest project

Context and scale

The Cata Community, with the assistance of the Border Rural Committee (BRC), have been successful in their endeavours to obtain compensation for the losses they incurred as a result of forced removals and Betterment Planning under the apartheid government. Cata lies some 17 km north west of Keiskammahoeek, in the foothills of the Amathola Mountains in the Eastern Cape.

Part of the compensation paid to the Cata Community by the Department of Land Affairs (DLA) was in the form of a cash payment made directly to the affected families with the balance of the settlement monies being used to set up a development fund. An integrated development plan was drawn up with technical support. Forestry was identified as one of the development elements and a sum of R1.08m from the development fund was set-aside for this purpose. The forestry project proposes to establish 57 hectares of wattle and 50 hectares of pine.

The wattle part of the forestry plan was initiated in November 2003 and this entailed the rehabilitation of wattle jungle through a process of tree selection and spacing. A team of 20 people, 11 women and 9 men, were drawn from the villages that make up the Cata community. The team was provided with the necessary training, tools and protective clothing to undertake the silvicultural operations to establish commercial stands of wattle for poles and pulpwood. Due to innovative approaches and consistent productivity, the team rehabilitated approximately 70 ha of wattle while also clearing the riparian zones of weeds.

Impacts on household incomes

The forestry project has had a substantial impact on poverty at Cata. In 2001 only 44 people from Cata (2% of the population) had a job. The employment of 20 people in the wattle project has resulted in a 45% increase in employment at Cata. In addition to the direct impact of the wages paid to the members of the forestry team, an amount of R315 000, the commercial wattle stands have been transformed into an asset that will have a net worth of some R500 000 at maturity. The wattle stands will require further maintenance and protection over the next few years and the harvesting operations in 8 years time will again provide jobs for members of the Cata community.

The establishment of the pines will offer similar opportunities to the Cata community as the wattle has. The forestry development at Cata offers a demonstration of the positive impact that even a small forestry project can have on a community that is burdened by poverty. Forestry is labour intensive, does not require rural people to move to the cities to obtain employment, many of the skills can be learned "on the job" and the value of the mature crop is significant.

Rights, representation and decision-making powers

The forest stands are owned by the broader community through the communal property association that has been established to facilitate development and the distribution of the benefits arising from the various initiatives.

53. *Medicinal plants* will continue to underpin the health care system of South Africa for the foreseeable future. The huge scale of consumption dictates that this is a sub-sector that cannot be ignored, despite poor prospects for growth based on supply from natural populations. A reduced reliance on the dwindling stocks of wild plants through the development of reliable, commercially cultivated stocks may help to secure the supply of raw materials. However, the prospects for the

harvesters of wild plants appear bleak unless non-traditional sources of supply (e.g. protected areas and private lands) can be accessed.

54. *Sawmilling* provides some scope for black economic empowerment and participation by the poor. In the large-scale sawmilling sector opportunities exist to increase participation of small contractors in the transportation and distribution of sawmill products. In the small-scale sawmilling industry it is estimated that previously disadvantaged community members already own more than 80 percent of all sawmill operations. However, the future development of these small-scale mills will depend to a large degree on securing log supplies. In this context, the on-going restructuring process for DWAF Category B and C plantations represents an opportunity to meet this need, whilst the decisions to remove existing areas of saw timber, such as in the Lowveld and Southern Cape, present a threat. South Africa is currently enjoying unprecedented economic growth, which has seen a large increase in demand for sawn timber. This may in itself result in previously non-viable timber areas becoming viable and may even see standing crops (pine in particular) that are being grown for pulp being used to augment the supply of sawn timber. Another challenge facing the industry is the need for improved timber utilisation rates (reduced wastage) in the small scale saw milling sector.

55. *Manufactured timber products* offer modest prospects for growth, particularly in filling niche markets. Those product categories that are less volume sensitive offer the most potential. There are opportunities for the supply of components (e.g. turnings), laminated boards and pre-specified board sizes to existing furniture manufacturers. A similar opportunity exists for the supply of Do-It-Yourself (DIY) products to wholesale and retail outlets. All of these products can be manufactured from waste industrial timber that can be obtained from large sawmills. Opportunities also exist in all forestry regions to supply packaging material in the form of boxes, pallets etc. for agricultural products, such as tomatoes, citrus and vegetables.

56. *Charcoal* production is seen as an ideal SME activity. Small-scale production is economical, little capital is required, and most activities are decentralised, being in rural areas close to major timber resources (Box 3). Some large companies have already shown interest in forming joint ventures with small-scale producers to secure lump charcoal supplies on a regular basis. Such companies are often prepared to provide funding, training and the initial investment required for small-scale production plants, as well as offering medium to longer-term supply contracts. Although long-term sources of supply are uncertain and hence sustainability is doubtful, the remaining DWAF (Category B and C) plantations in the Eastern Cape and Limpopo contain extensive areas of hardwood off-cuts suitable for charcoal manufacture.

57. *Pole production* is a small market, but has good growth prospects. The transfer of the remaining DWAF plantations in Limpopo and Kwazulu-Natal offer immediate opportunities for SMEs and rural communities to establish small enterprises producing treated timber poles. Almost all of these plantations are linked to existing DWAF pole treatment plants, thus overcoming the hurdle of access to downstream processing facilities.

58. *Honey* production represents a very small segment of the economy, but one that has some prospects for growth and in which the rural poor can take part. The foremost bee-keeping development initiative is the Bee-keeping for Poverty Relief Programme established by the Agricultural Research Council (ARC) of South Africa. The rapid development of this programme has demonstrated that some modest expansion, particularly within gum plantations, is possible.

59. *Tourism and conservation* industry based on woodlands and indigenous forests offers substantial growth prospects, both in terms of employment and the establishment of small scale enterprises. Linked to this is a growth opportunity in local woodcarving and woodcraft products.

60. Based on the recent sector studies commissioned by DWAF⁴⁷, the growth prospects for other *non-timber forest goods* (e.g. indigenous fruit, mushrooms, ferns and foliage) do not appear significant in terms of contributing to national poverty reduction. That is not to say that individual projects and enterprise opportunities do not exist. Rather, the national impact of such ventures in terms of growth in employment and income generation does not appear to be large.

60. A number of forest resources are vitally important for their subsistence use value, such as the many indigenous fruits, and, very importantly, firewood. It is imperative to safeguard the high safety-net values of these commodities for the very poorest communities should sizeable commercial markets emerge.

Box 3. Supporting new entrepreneurs: Blackgold Forest Products (BFP)

Context and scale

Blackgold Forest Products (BFP) is a charcoal production business, which began in 2002 and operates in Kwazulu Natal and Mpumalanga. It has provided new economic opportunities for several poor communities living close to the large plantation forests of Mondi, by converting waste timber from Mondi's silviculture operations into charcoal. Mondi Fine Paper SA, the Forestry Industry Education and Training Authority (FIETA), and a British development fund made initial start-up grants available. BFP subsequently established 18 entrepreneurs on different sites, each with a number of charcoal kilns.

Individual entrepreneurs sign a contract with BFP to produce at least 110 tons of charcoal per month. A ton of charcoal is sold for at least R700. For each ton of charcoal sold, the entrepreneur is paid R450 whilst the rest of the income is retained by BFP for its running costs, salaries and investments. Timber is offered free of charge to the entrepreneurs by Mondi. Repairs and maintenance of the charcoal kilns and other equipment rented out to entrepreneurs is also free. BFP arranges a market for the charcoal. The biggest market is Samancur, which purchases half of the production. Each entrepreneur is offered capital in the form of a cash advance to start business. They have to provide their own (or hire) transport and equipment for raw timber collection. No interest is charged on outstanding amounts. Loan settlement is based on the repayment ability of the entrepreneur.

Impacts on household incomes

Job creation has been significant, with 339 direct workers (119 females and 220 males) and 220 indirect workers (73 women and 147 men). Each charcoal burning site employs between 20 and 35 full-time employees, who are paid R700/month. In total, 560 families - more than 3 000 people - have benefited from this initiative.

Rights, representation and decision-making powers

All the entrepreneurs were chosen through a transparent selection process designed to select the most capable individuals. These entrepreneurs now have a vested interest in the business, by holding 60 percent of Blackgold's shares (10 percent are held by a Community Trust and Mondi holds 30 percent). Four of the entrepreneurs are also directors of the business, and hence form part of the management team.

Crosscutting opportunities

61. The previous section examined the prospects for pro-poor growth in a number of forestry sub-sectors. This section draws attention to some of the opportunities that exist across the forest sector of South Africa, which have potential to promote the needs of the poor.

62. *Partnerships* between different groups have already seen some successes in the forest sector, most notably with the timber outgrower schemes based in KwaZulu-Natal. The major incentive for

joining an outgrower scheme is to obtain cash income at harvest, as well as annual payments. Forests also provide fuelwood and other goods for households and these products can also be sold for additional income. By entering into an outgrower scheme, individuals can secure their rights over unutilised land, increasing security of tenure (especially a motivation for widows whose rights to land become insecure after the death of their husbands)⁵⁷. Hence, there is experience to build on as new entrants from previously disadvantaged groups start up their businesses and develop joint ventures with more established market players. However, ensuring equity in such partnerships will require stringent criteria and systematic monitoring to ensure that both parties gain. Many of the partnerships created so far within the forest sector have been very unequal in terms of their power relations. The scope for value addition by small-scale growers has been quite limited so far, as under the outgrower schemes the timber is usually sold to the financier, who is most often a pulp and paper manufacturer. Value addition in that segment of the sector takes place in large centralized processing plants. If partnerships could be forged for growing saw timber, this might offer more downstream value addition opportunities for growers, as they could become involved in some aspects of processing and manufacturing.

63. *Fostering participation* of all stakeholders, including the rural poor, has been a touchstone of policy development since 1994 and remains a key role for DWAF to play. Through the consultation process that was part of the National Forestry Action Programme a wide constituency exists that has an informed interest in the development of the forest sector. Current developments to energise South Africa's national forestry programme will therefore not have to build from nothing, as considerable experience with multi-stakeholder consultation already exists in forestry. With increasing policy space being handed to the regions (Box 4), local project-led experience in participation can also be drawn upon⁵⁸. However, stakeholders - particularly at the local level, as well as local and provincial authorities - need to see significant benefits flow from such participation, otherwise early commitment will soon disappear.

Box 4. Limpopo Province commits to forestry enterprise development

Limpopo Province has high levels of poverty, substantial forest resources and potential for increasing economic returns to local livelihoods from forestry. Yet few municipalities make reference to forestry in their Integrated Development Plans – a key gap since such plans increasingly control the work of government service agencies at local level.

DWAF therefore convened a Forestry Stakeholders Workshop in the province in 2004, with discussion on ways to raise the profile of forestry and the integration of the sector into economic development. The workshop involved representatives from many agencies including the Limpopo Premier's Office.

Forestry was incorporated as the 7th cluster of the Provincial Growth and Development Strategy (PGDS) shortly after the workshop. This is an important milestone since it makes forestry one of the provincial priority sectors for economic development and will thus focus provincial government attention on the sector. It also means that the Integrated Development Plans of those municipalities in the province that have forestry resources are supposed to place forestry at the core of their economic development efforts.

64. *Rights-based approaches* to forest development have also begun to have some success since the passing of the 1998 National Forest Act. Communities now possess the legal right to enter into agreements with the Minister over community forestry. More broadly, there is scope to strengthen the rights of rural communities through the land restitution process by conferring ownership of forest lands, conferring elevated rights or providing proceeds from the land in lieu of land ownership or

occupation. This has already happened in the case of four large state-owned plantation packages, which were privatised with pending land rights issues unresolved.

65. *Broadening regulations, standards and certification* have made enormous strides over the last decade. The development of national criteria, indicators and standards for sustainable forest management has offered the opportunity to develop a framework for forestry activity that is both transparent and applicable to all participants in the sector. The inclusive manner by which these standards have been developed provides some safeguard against any single group influencing the outcome unduly. Equally important are the efforts being made to streamline existing regulations that apply within the forest sector, such as the Stream Flow Reduction Activity (SFRA) licence (Box 5).

Box 5. Making it easier for smallholders to get tree-planting licenses in KwaZulu Natal

Those wishing to plant trees must get a Stream Flow Reduction Activity (SFRA) licence. The process of getting one is long and complex and presents a major blockage to poor small-scale farmers getting involved in tree-planting and the livelihood benefits that can follow.

In KwaZulu Natal (KZN), a province with major potential to expand smallholder tree-growing, a DWAF-coordinated Afforestation Map Initiative has been completed. The many areas suitable for afforestation that are largely non-contentious, in terms of their impact on other land users and/or the environment, were identified. The initiative involved co-operation amongst officials from DWAF, the Department of Agriculture and Environment Affairs (DAEA), Ezemvelo-KZN Wildlife, and representatives from Forestry South Africa (FSA) and Sappi Forests.

The preparation of the map required technical input from various departments and individuals and involved an iterative process combining overlays of various aspects, such as water availability, agricultural potential, forestry potential, etc. within a geographic information system (GIS). The areas mapped were confined to communally-held or tribal land. The results of the exercise were reviewed a number of times by all the interested parties, including smallholders from the Kwangwanaze area of northern KZN, where there is much interest in new afforestation.

A site inspection will still be required as part of the SFRA licence assessment process, but since many aspects of assessment have been dealt with in the Afforestation Map, the subsequent process and issuance of licences is expected to be considerably streamlined.

66. *Realignment of institutions* has happened quickly, despite the conservative image that is often given to the forestry sector. This has demonstrated that roles and responsibilities are not permanently fixed and institutions can evolve as society develops. Such realignment has happened both within government and the private sector. The Department of Water Affairs and Forestry has undergone a fundamental restructuring exercise and is now committed to working towards a well-defined and focused vision. The realignment of sector organisations is also apparent. In 2002, Forestry South Africa (FSA) was created as the national timber growers association and immediately opened an office in Pietermaritzburg to support business development of the small timber growers. However, more attention now needs to be given to the improved organisation of small-scale growers, contractors and saw millers. This is necessary to enable these groups to collectively bargain and lobby for their interests in terms of accessing contracts, resources and training support and to open doors for their participation in value-adding production opportunities.

67. *Women* entrepreneurs and employees are playing an important role in the development of the forest sector, obtaining a valuable source of income as a result. Eighty percent of out-growers in

KwaZulu-Natal are women. Equally, as women perform most of the domestic activities associated with meeting basic survival in rural areas, they have considerable knowledge of many forest produce that are part of daily subsistence use.

68. *As a catalyst for broad-based local economic development* forestry has much to offer. Most forestry production and processing enterprises are located in rural areas. They are key employers and consumer of goods and services in the local rural economy. They are the first link in a value adding chain that could serve as a catalyst for further broad-based downstream local economic development. In fact, in some areas it is the only substantial catalyst for broad-based local economic development. Opportunities created through the economic presence of the forestry sector include local shops, suppliers of fuel, banks, and hotels.

DEVELOPING A PRO-POOR FOREST STRATEGY

Linking to the national poverty reduction agenda

69. The final section of this paper will outline some key components of a pro-poor strategy that, if successfully implemented, would help DWAF move closer to meeting its vision. Among the many roles that government could play, identifying those that will have a strategic impact on improving the lives of the poor is the most critical task. As described at the start of this paper, government's pro-poor agenda is being pursued under three complementary strategies:

- building a social security net for the very poorest in society
- supporting new market entrants to establish viable businesses
- encouraging the private sector to create more job opportunities

70. DWAF-Forestry now needs to demonstrate its role in support of each of these strategies within the forest sector (as depicted in Figure 2). The following three sections describe priority actions that DWAF should consider in support of the above themes.

Figure 2. The contribution of forests to poverty reduction in South Africa.

Broad-based poverty reduction agenda	Forestry contribution to poverty agenda
Job creation through growth and development in the First Economy	→ Actions to promote growth in the commercial forestry sector
Programme to address the challenges of the Second Economy	→ Actions to promote equitable forest enterprise development
Social security net for poverty alleviation	→ Actions to safeguard subsistence use of forests

Actions to safeguard subsistence use and the informal trade

71. Sustainable conservation will remain elusive in situations where the rural poor do not have their rights respected or have access to the resources they need to survive. There are a number of opportunities associated with the legal framework that DWAF should seize and develop to achieve a positive outcome for the poor:

- The Constitution and the National Forests Act (NFA) go a long way in conferring rights to local communities to access and, where people have historical rights, to take ownership of State forests.
- The NFA requires the establishment of a Committee on Forest Access as a permanent committee of the National Forestry Advisory Council (NFAC) and provides for Community Forestry Agreements to facilitate/regulate use of State forests.
- Section 21 of the Act also allows the Minister to take steps to promote the voluntary granting of access to other types of forest for non-consumptive use.
- The restitution and land redistribution processes offer significant opportunities for communities.

All of the above points to the need to frame these opportunities within a concerted strategy to improve opportunities for the poorest to secure benefits from both private and state forest resources.

72. The long-term sustainability of forest resources used by the very poor, both for subsistence use *and* informal local-level trade, depends upon the creation of an enabling environment that will support sustainable resource management practices. At present there are problems of unsustainable resource utilisation in some woodland areas⁵⁹. Four sets of strategic intervention have been identified as being needed to support sustainable use within these woodlands:

- clarity/certainty on ownership and management responsibilities (as mentioned above)
- strong local leadership that can mobilize support for sustainable resource management, together with the ability to enforce locally agreed sanctions and controls in the face of unsustainable practices
- training and extension support that offers access to technical knowledge and skills in woodland management
- government incentives for sustainable woodland management – e.g. through the development of criteria and indicators for woodlands, which will influence certification schemes and thereby promote sustainable management of woodlands where forest goods are being traded in formal markets

These interventions need to be part of DWAF's indigenous forests and woodland management strategies. Both strategies should incorporate participatory forest management (PFM) principles, as laid out in the *Policy and Strategic Framework for Participatory Forest Management*.⁶⁰

Actions to promote equitable forest enterprise

73. The companion *Key Issues Paper on Forest Enterprise Development*⁶¹ provides guidance on how government can mobilize resources to support previously disadvantaged groups to establish forest businesses. This should lead to the early implementation of a Forest Enterprise Development Strategy for DWAF. A number of services are required, which can be delivered through government agencies directly or by utilising private-sector delivery. These services include:

- organising the small and medium forestry enterprise sectors for collective bargaining and lobbying
- providing timely, well-targeted business information (both technical know-how and market intelligence)
- assisting small-scale operators work with large-scale businesses
- encouraging self-help groups (cooperatives)
- simplifying and streamlining the regulatory environment
- training and extension
- support for the implementation of rural credit
- offering incentives for new entrants

- securing long-term resource supplies

74. With regards State forests, there needs to be heightened focus on creating the enabling mechanisms (through public-private partnerships, licenses, community forestry agreements etc.) to unlock enterprise opportunities for the poor. Although it is recognised that enterprises based on the consumptive use of natural forests appear to have limited potential - beyond a number of already identified niche opportunities - there is increasing recognition of the considerable non-consumptive use potential of these forests, particularly for eco-tourism ventures. However, the bureaucratic processes and mechanisms for equitably unlocking these opportunities are very unclear.

Actions to promote growth in the commercial forest sector

75. There appear to be good prospects for growth in the commercial forest sector. However, economic growth and increased employment will depend upon government setting an appropriate national policy and legal framework. Such policies can be hard – those that are underpinned by legislation, or soft – which depend on voluntary compliance. Both types of policy instrument have a role to play in forest development. An example of the latter is forest certification, where South Africa is a world leader. However, certification costs remain prohibitive for many small-scale forest owners. With so much of the industry now dependent on certified sources of supply, there is the danger that small-scale tree growers will not be able to sell their timber in the future. Certification would then become a barrier to those people whose livelihood is most dependent on timber sales. To ensure that tree planting remains an economic opportunity for small-scale growers, DWAF needs to support the development of measures that will allow this group to access certification.

76. There is work remaining for DWAF to streamline the existing body of regulations that apply in the forest sector (e.g. the afforestation consent application process) and therefore minimise the bureaucratic process. If the potential of further large-scale tree planting is to be realised - with the considerable employment prospects that such a programme would bring - then current regulations need to be framed in such a way that do not discriminate against small-scale tree planters.

77. DWAF should also build up an incentive structure for forest development. In particular, the Government should consider the implementation of afforestation incentives, a policy that has met with considerable success in the past. Tax incentives, loans and grant schemes are all financial instruments that can promote tree planting, whilst the provision of technical services (e.g. mapping services, land use planning) should be a high priority DWAF-Forestry function.

Monitoring processes and outcomes

78. DWAF has a responsibility to ensure that the impact of its work, and that of the sector, can be measured and monitored over time. As already stated, South Africa has developed a set of criteria and indicators of sustainable forest management. The 24 criteria can be grouped around five clusters:

- socio-economic development
- biodiversity and resource conservation
- regulation
- participation
- policy development and planning.

79. These clusters not only provide a means for judging the performance of the sector, but could also be used as a framework around which DWAF's own monitoring and evaluation work is carried out. In terms of understanding the linkages between forestry and poverty reduction four of the criteria seem particularly relevant:

- Criterion 7: Forests make a positive contribution to the economy
- Criterion 9: People have rights to access and use forests
- Criterion 13: The distribution of employment benefits from forests is fair
- Criterion 18: Forests are developed and managed so that persons or categories of persons disadvantaged by unfair discrimination are advanced.

80. Similar criteria are being developed elsewhere under national poverty reduction programmes. These highlight the importance of defining poverty not only in terms of monetary income but also in other measures of welfare⁶² (Box 7).

Box 7. Poverty Reduction Strategies for the Ghanaian Forestry Commission

1. **Improved income indicators:** this involves indicators that measure improvements in revenue returns to landowners, District Assemblies, farmers and communities. These would include:
 - that district assemblies, stool chiefs and traditional authorities receive the agreed full share of forest fees in a timely manner
 - farmers receive payment for forest resources removed from their farms
2. **Well-being indicators:**
 - that fees received on behalf of communities are used for development purposes
 - that there is improved access and rights to forest resources for forest fringe communities and those dependent on forest resources
 - that forest fringe communities are able to access forest resources to improve food security and reduce vulnerability
3. **Empowerment indicators:** these involve indicators that measure that extent of involvement of the poor in decision-making. The main indicator would be:
 - that forest fringe communities, traditional authorities and district assemblies are actively involved in resource allocation, management planning and decision making through effectively organized channels

Reference: Poverty reduction strategies for the Forestry Commission. 2003. Internal memorandum.

81. In terms of National Forest Act, DWAF has a responsibility to produce a State of the Forest Report every three years. This provides an opportunity to foster an approach to monitoring and reporting that is open and transparent, as a means of building trust between stakeholders, and mobilizing a national consciousness towards sustainable use of all forest resources.

82. The national forestry programme (NFP) represents another key opportunity to monitor the progress in a transparent and accountable way, to a wide range of national stakeholders. Annex 2 shows how DWAF's poverty focus relates to the main elements of the National Forestry Programme, together with the constituent policies and strategies that are underway in support of this framework.

83. Finally, an overriding pro-poor strategy is needed not only to guide the development of the sector, but also to help set the priority work programmes for DWAF. This framework therefore needs to be apparent within DWAF's strategic plan. Annex 3 shows how all five proposed forestry key focus areas for 2006-07 onwards fit together in support of this strategy. *(suggest this be deleted for the published report)*

7. RECOMMENDATIONS

Forestry and national poverty reduction

1. DWAF support to national forestry development needs to relate directly with the Government's larger agenda on poverty reduction. (Paragraph 1)
2. The sharp focus on poverty reduction that is contained within DWAF's Vision needs to be implemented through measures contained in the following forest policy and strategy initiatives:
 - State Forest Transfers and Forestry-related Land Reform
 - Broad-based Black Economic Empowerment in the Forest Sector
 - Community Forest Management (woodlands, small indigenous forests and woodlots)
 - Participatory Forest Management
 - HIV/AIDS in the Forest Sector
 - Fuelwood Energy
 - Forest Products Innovation
 - Management of Ecological Services (climate change, soil & water conservation)
3. Coordination of poverty reduction within the forest sector should be actively taken up within the framework of the national forestry programme (NFP). (Paragraph 82)
4. DWAF's monitoring and evaluation system needs to include the poverty-related criteria identified through the national process of criteria and indicators of sustainable forest management. (Paragraphs 78 & 79)
5. DWAF should encourage and work with other government departments to encourage multi-purpose land use in forests and woodlands, on State, private and communal lands, so that benefits and opportunities from the full range of resources are optimized from any piece of land.
6. The National Forestry Advisory Council (and its statutory sub-committees) needs to be strengthened to become a meaningful resource for ongoing policy and strategic advice.

Protecting the poorest

7. The active participation of the poor needs to be secured when determining and implementing new policies associated with forest development. (Paragraph 46)
8. Current developments to energise South Africa's national forestry programme must secure the participation of all stakeholders, particularly local and provincial authorities, who are pivotal in providing support in terms of associated services necessary for the success of forestry. (Paragraph 63)
9. There is an urgent need to strengthen and develop initiatives on improving access rights for rural communities with a concerted strategy to improve opportunities for the poorest to benefit from both private and state forest resources. The Committee on Forest Access within the National Forests Advisory Council needs to play a strong leadership role on this issue. (Paragraph 71)
10. DWAF needs to support the speedy resolution of land claims and tenure reform on state forest land. (Paragraphs 41 & 64)

11. A review of the legal provisions regulating the subsistence harvesting of forest produce is urgently required to make legal use possible and accessible to the rural poor. (Paragraph 49)
12. There is an urgent need to develop and clarify the roles and responsibilities of all tiers of government, and local structures, particularly traditional authorities, in protecting and regulating sustainable use of forest resources. (Paragraph 42)
13. DWAF needs to help capacitate local government, communities and other local service providers when planning the transfer of forest management. (Paragraph 17).
14. There is a need to produce and communicate guidelines to local and traditional authorities on their roles and responsibilities in protecting and regulating sustainable use of forest resources. (Paragraph 42)
15. Working with the relevant government departments, and other service providers, DWAF should develop an extension support service that provides for the needs of the poor living in forested areas. (Paragraph 72)
16. A long-term fuelwood strategy, which takes into account the predicted 2,5 million rural households remaining without electrical supply for the next twenty years, needs to be developed and implemented. (Paragraph 19)
17. National statistics are required to record the significance of subsistence use of forest produce and services by the rural (and urban) poor. (Paragraph 49)
18. Information is required on the ecosystem services value attached to South Africa's forests, including the fraction of the benefits captured exclusively or primarily by rural communities. (Paragraph 31)

Supporting equitable business development

19. The early implementation of a Forest Enterprise Development Strategy for DWAF and a FED Framework for the sector generally is important. (Paragraph 73)
20. Rights of access need to be established to allow plant harvesters collect high-demand medicinal plants from protected areas and private land. At the same time, support is required for the development of reliable, commercially cultivated stocks that will reduce the reliance on the dwindling stocks of wild plants. (Paragraph 53)
21. The regulatory environment for SMEs needs to be eased, so it is easier for them to register and receive technical and business support. (Paragraph 65)
22. The development of small-scale business development services is urgently required (to be delivered through government agencies directly or by utilising private-sector delivery). These services include the provision of timely, well-targeted business information (both technical know-how and market intelligence); training and extension support; and offering incentives for new entrants. (Paragraph 73)
23. The role of women in forest development needs to be acknowledged and encouraged by proactive gender policies in all DWAF policy and strategy initiatives. (Paragraph 67)

24. Partnerships (including joint ventures and contracting arrangements) between new entrants from previously disadvantaged groups and established market players need to be monitored systematically to ensure equity is achieved in such partnerships. (Paragraphs 47 & 62)
25. Research on the appropriate yields that can be harvested without damaging natural population levels for a number of important plant species is urgently required. (Paragraph 36)
26. Further development of the national criteria and indicators need to be sensitive to spatial scale and capital intensity. The standards now need to be developed further to take account of the specific characteristics of small-scale tree growers. (Paragraph 75)
27. Support needs to be provided to the small-scale sawmilling industry in securing log supplies and a strategy developed for the saw timber segment of the sector generally, in order to meet the rising and projected increase in demand. (Paragraph 54)
28. Charcoal joint ventures need government support in identifying sources of supply. The remaining DWAF plantations in the Eastern Cape and Limpopo contain extensive areas of hardwood suitable for charcoal manufacture. (Paragraph 56)
29. The transfer of the remaining DWAF plantations in Limpopo and Kwazulu-Natal offer immediate opportunities for SMEs and rural communities to establish small enterprises producing treated timber poles. (Paragraph 57)

Encouraging economic growth and employment within the forest sector

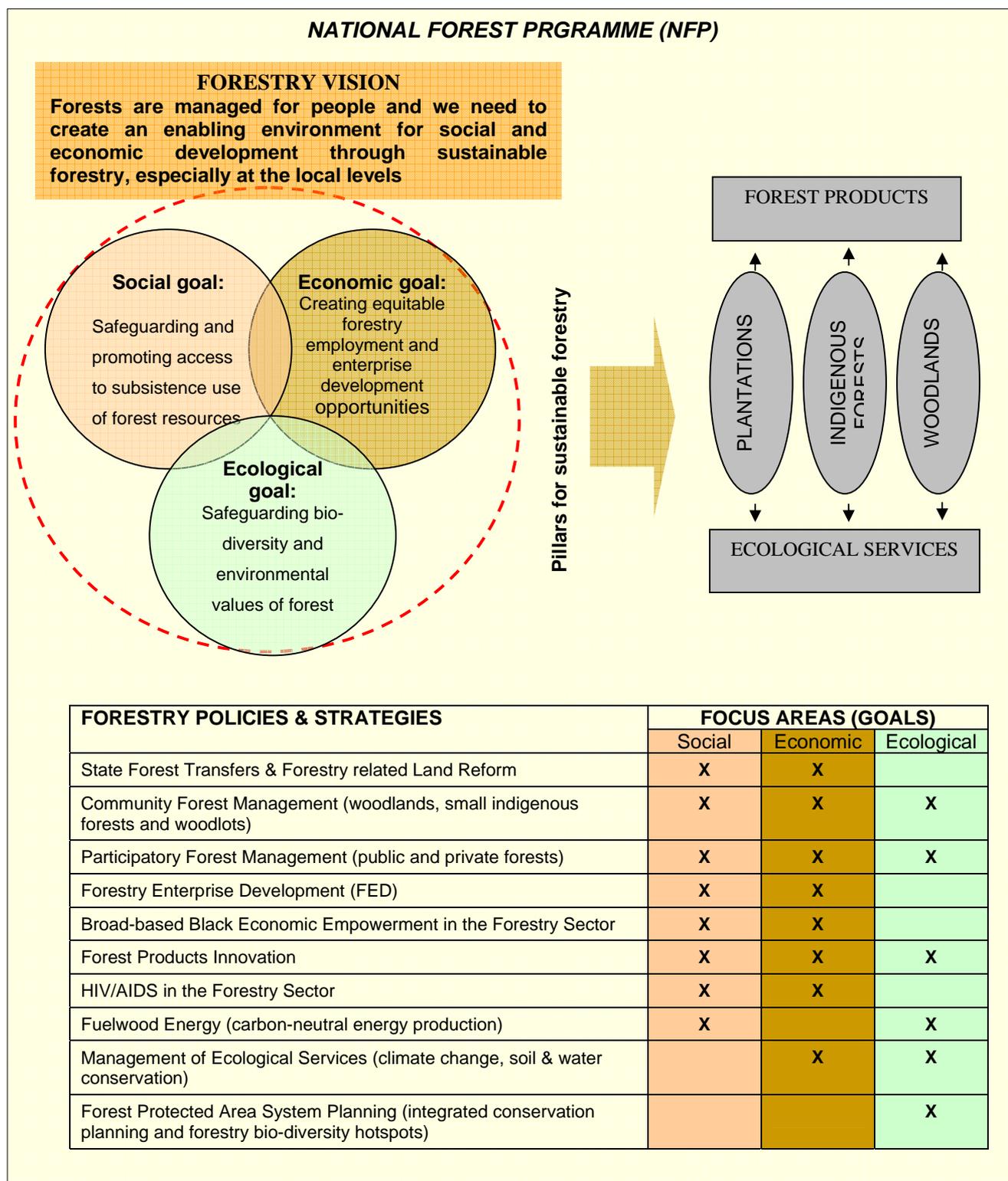
30. DWAF should strongly promote throughout government, and more broadly, a national target for new afforestation of 100,000 ha in the provinces of the Eastern Cape and KwaZulu-Natal. Such a programme, supported by the industry, holds considerable promise for creating new jobs and revitalizing the economy of some of the most impoverished regions within South Africa. (Paragraph 52)
31. The regulatory system that applies in the forest sector needs to be streamlined to support small-scale growers and tax incentives, loans and grant schemes considered to promote new tree planting and forest conservation, including payment for environmental services. (Paragraph 76)
32. DWAF should strengthen its provision of technical services, through mapping services (particularly the small-scale inventory of available land for afforestation) and land-use planning to optimise investment opportunities (Paragraph 77)

Annex 1. Community/State led forest enterprise opportunities and initiatives per region

Forest Enterprise Development Opportunity	Regions					Enabling Conditions
	Limpopo	Mpumalanga	KwaZulu-Natal	Eastern Cape	Southern Cape	
<i>Timber-based</i>						
1. New afforestation			***	***		SEA, SFRA licences, IDPs
2. Category B & C rehabilitation and transfer	**		***	***		TMU, transfer
3. Formalisation of “unofficial plantations”	?	?	***	**		SEA, SFRA licences, IDPs
4. Indigenous forestry – timber processing				*	*	Access, markets, training
5. Forestry contracting		**	**	**		Regulations, corporate buy-in
6. Sawmilling – value-adding, etc.		*	*	***		Finance, access to NECF resource
7. Small-scale sawmilling				**		Timber supply, finance
8. Manufactured timber products		*	*	*		Finance
9. Pulp and paper			**			Technology, finance
10. Timber board products				**		Finance, access to NECF resource
11. Pole production	*			**		Timber supply and marketing
12. Charcoal production	*	*	***	***		Timber supply, work for water
13. Catalyst for broad-based LED	*	*	*	**		IDPs
14. Arts and crafts	*	*	*	*	*	
15. Wood chipping				***		Sufficient volumes of alien acacias
<i>Non-timber based</i>						
16. Medicinal plants trade	?	?	**	?	?	
17. Firewood collection & distribution	*	*	*	*	*	Access to forests
18. Honey production	*	**	**	*	*	Access to forests
19. Tourism	*	*	*	*	*	Access to forests
20. Trade in indigenous fruits	**	**	?	?		
21. Alternative forest products	*	*	*	?	?	

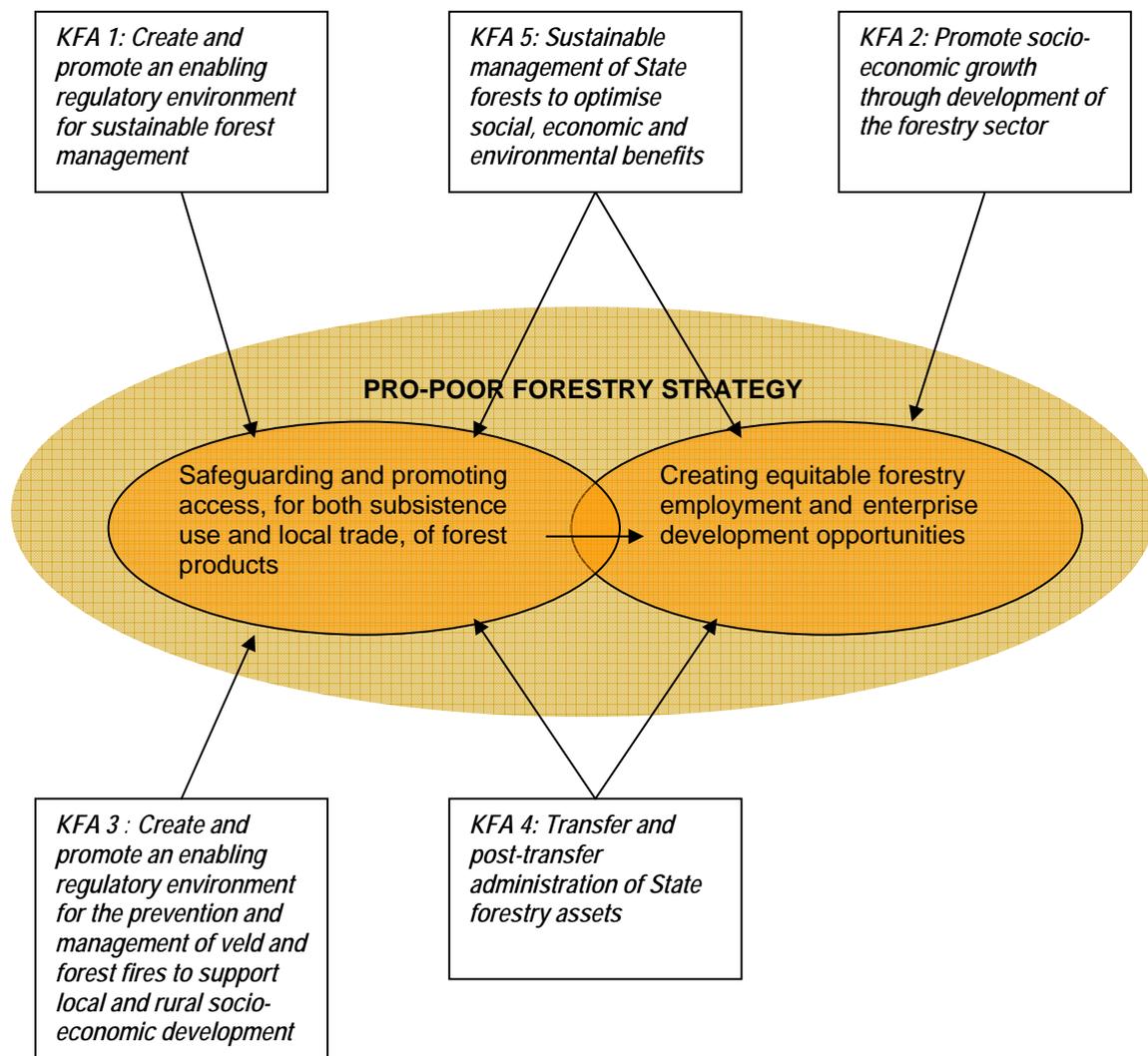
Note: *** Major opportunity – large scale, high pro-poor impact, rural community involvement
 ** Medium scale opportunity based on better resource utilisation. Expansion of current activities, partnerships with established business required
 * Some potential but would need intensive development, partnerships with established business, training, etc.
 ? Possible opportunities, but untested

Annex 2. Linking with the National Forestry Programme



Poverty reduction as a crosscutting goal

Annex 3. Strategic planning: linking with DWAF's forestry key focus areas



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