

Instruments for Sustainable Private Sector Forestry

South Africa Country Study

Summary Report of Findings-Discussion Workshop

**Kwalata Game Ranch, Hammanskraal
14 to 16 May 2000**

WORKSHOP OBJECTIVE. To discuss and sharpen the findings and the work-in-progress, and to plan for the optimum use, influence and follow-up of this project work which aims to help improve private sector forestry.

Findings - Highlights

Company-community forestry partnerships

- Outgrower partnerships should be transformed into a more concerted development process, but will require major investments in grower negotiating capacity. Astute third-party support is needed – but from where?
- Policy-level representation of outgrowers is negligible to date – union linkages should be strengthened and space opened up for outgrowers on national private sector associations, and policy fora
- Capacity for developing community-wide partnerships with the private sector is weak on all sides - existing programmes and experiments should be built on as active experiments – with a focus on facilitated negotiations to develop both sound plans and effective capacity
- Woodlots have great variability in assets, uses and demands. While business development and livelihood improvement linked to woodlots is possible in some areas, woodlots should be considered within broader cross-sectoral strategies for local development.

Impacts of certification

- FSC certification has achieved considerable impact in terms of improved environmental performance and management systems, and experience to date points to key improvements that could be made in the certification process
- Social issues have been poorly addressed in certification processes. Whilst certification was not originally designed to deal with social issues it now needs to respond to them and help deliver positive social impacts if it is to be an effective tool for better forestry. Evidence suggests that the livelihood status of forest workers and other local forest stakeholders has declined over the last 10 years – so certification needs to play its part in transforming this situation.
- Power differences between stakeholders have been inadequately dealt with in certification processes to date – if stakeholder consultation is to be a genuine two-

1.1 Instruments for Sustainable Private Sector Forestry: overview of progress in the broader IIED collaborative research project – James Mayers, IIED

Aim: To identify effective market and regulatory instruments for ensuring that the private sector produces social and environmental benefits from forest management; and to promote these instruments

Approach:

- *Global review of private sector participation*
- *Research on instruments and their impacts:*
 - 1 partnerships between companies and communities
 - 2 certification and audit
 - 3 markets for forest environmental services
- *Research on companies:* potentials and constraints facing selected companies
- *Collaborative research with country teams:* developing options for instruments and policy environment for better private sector forestry:
 - 1 South Africa/SADC
 - 2 Brazil
 - 3 Papua New Guinea
 - 4 India
 - 5 China
- *Dissemination activities*
- *Design of pilot activities*
- *Advisory Group*

Collaboration, particularly Oxford Forestry Institute and Overseas Development Institute
Funded by European Commission and UK Department for International Development
Timeframe: 1998 to 2000

Certification: Impacts and Prospects for Forests, Stakeholders and Markets

- Forest management unit level
- National and international trade
- Policy and institutional arrangements

Field studies of community forest enterprises

- Honduras
- Bolivia
- Mexico
- Papua New Guinea
- Zambia
- Most are certified in donor-supported projects
- Market benefits not always evident, but recognition and tenure important
- Enterprises struggle to participate in international timber markets
- Other approaches to verification worth investigating

Industrial enterprise studies – ongoing in Poland, South Africa and Brazil - with added focus on *supply chain impacts*:

- UK market pressure for certified timber has had high leverage, but will there be a 'second wave' from USA and Europe
- Financial benefits of certification are difficult to ascertain - few producers receive premiums, rather guaranteed or increased market share
- Transparency in the supply chain has increased

- *Downstream benefits may need to be shared too – and partnerships will need to go beyond fibre-production*

Snap-shot of country studies

Country	Study Emphasis	Main Partners
South Africa	<i>Redistribution of forest assets:</i> government restructuring, changing private sector players, new partnerships	CSIR, Forest Owners Association, Department for Water Affairs and Forestry
Brazil	<i>Options for the “next frontier”:</i> examining current/past forest frontiers, preparing scenarios, and developing sound land use options and instruments for the next frontier	Universities of Sao Paulo, Rio de Janeiro and Mato Grosso; NGOs Vita-Civilis, IMAFLORA and PRONATURA; Sao Paulo Federation of Reforestation Associations
China	<i>Learning from experimentation:</i> shaping new forms of forest land and resource tenure, forest taxation, and markets for environmental services	Chinese Academy of Forestry, Forestry Economics and Development Research Centre, Chinese Academy of Social Sciences, Chinese Academy of Agricultural Sciences, Beijing Forestry University and State Environmental Protection Agency
India	<i>Support for new players:</i> policy provisions and market based instruments for emerging new private sector players: farm forestry, company-farmer partnerships, and commercially productive JFM forests	Ecotech Services co-ordinating twelve sub-themes, with active advisory group
Papua New Guinea	<i>Improving resource security:</i> to curb cut-and-run logging, and form better-linked small-scale and large-scale land use options	PNG's National Research Institute, Universities of PNG and Technology

Proposed cross-country project findings-discussion workshop

Southern Africa November 2000? An **International forum and learning group** on:

- *Policy reform processes*
- *Restructuring government forest assets.*
- *Fostering good private sector forestry.*

1.2 South Africa/SADC Country Study – three themes:

- *Redistribution of forest assets*
 - *Changing government and corporate roles:* leasing government land to private sector; transferring land held by government to communities; government policy to encourage private sector involvement in SFM; repositioning within private sector to access markets
 - *Contracting out forestry operations:* for empowerment as well as private sector efficiency?
 - *Emerging new private sector players:* vibrant domestic industry based with more small- and medium-scale enterprises?
- *Impacts of certification - FSC and ISO:*
 - *Corporate impacts - Sappi, Mondi, SAFCOL*
 - *Supply chain impacts*
 - *Broader sustainability impacts*
- *Company-community partnerships*

- Develop grower /public/ private/ NGO partnerships in new investment and infrastructure
- Grower owned companies for local timber markets

2.2 Outgrower timber schemes in KwaZulu Natal: do they build sustainable livelihoods and what interventions should be made? - Rob Cairns

The presentation covered the following:

- Comparative benefits of outgrowing to farmers and companies
- Differences between outgrowing schemes (Kulanathi, Project Grow)
- Range of partnerships and actors (SAWGU, Sappi, Mondi, NCT)
- Livelihoods approach towards understanding the strengths and weaknesses of different schemes (natural, human, financial capital and vulnerability)
- Key interventions that should be considered to strengthen the outgrower sector

Key intervention:

Present grower associations do not allow control over structures and processes (terms of contract, allocation of quotas, shares in processing, influence in government policy).

Can learn from SAGWU and NCT in the following ways:

- Strengthen the capacity of associations
- Form umbrella body possibly cross cutting Sappi / Mondi groups
- Allow representation in SATGA / FOA executive structures (already mooted by FOA)
- Allow share equity in processing

Other interventions:

- Steps taken to speed up implementation by DWAF
- More careful consideration of site suitability – government funding for access roads in worst areas
- Overarching policies to develop comparative advantages of regions and protect high potential arable land (refer to white paper on agriculture)
- Mondi should keep computer records – cooperation between Sappi & Mondi to develop appropriate silvicultural techniques from high/low input data, and re-assess need for interest charges
- Ownership models developed by land reform programme could be applied in forthcoming sale of B-category forests
- Need for sub-committees to represent women growers' interests, gender sensitive clauses in contract, female foresters
- Formalize business skill training – contractors
- Unionization of contractors to improve conditions
- External rural credit agencies (Finaso!) may be able to provide a wider range of services
- Development agents (Lima) may offer a wider range of development initiatives (contractor development, labour based road construction, input supply depots)
- Continued price competition from NCT is very healthy
- Formalize collateral arrangements

2.4 Overview of Private-sector community partnerships in Forestry in the Eastern Cape: Maura Andrew and Christo Fabricius, Rhodes University, Grahamstown

The presentation was based on work that had recently started to be undertaken, and hence was a report on initial findings and trends; it covered the following:

- General impressions around the early stage of development of partnerships in the Eastern Cape, with a focus on planning processes
- State of opportunities arising from the lease of DWAF and Safcol assets: devolution and partnership possibilities
- Existing corporate forestry initiatives: Mondi (Umzimkulu), Sappi (Lambasi-Magwa)
- Partnerships in other sectors: tourism, agriculture - also in early stages
- Corporate strategies in initiating partnerships
- Community strategies and instruments in engaging in partnerships with companies
- The role of government departments and policies and resultant opportunities enabled through legislation (e.g. Communal Property Associations, Spatial Development Initiatives)
- Barriers to the forging of forest-based partnerships, on the part of the private and public sectors as well as on the part of communities
- "Bridges" for the creation of partnerships, e.g. through leveraging donor funding, linking with a range of institutions
- Potential costs, benefits and opportunities arising from widening access to forest assets and consequent entrepreneurial opportunities

Recommended "bridges" towards creating partnerships

- Translation of documents into Xhosa
- Facilitated negotiations
- Infrastructural development
- Capacity building programmes
- Deals which accommodate a variety of needs within communities
- Projects which provide employment and livelihoods for rural residents
- Cooperation between DWAF and DLA
- Link to Working for Water structures where possible
- Slower pace to relieve pressure on complex social and economic processes
- Capacity building: pooling of efforts
- Faster and simpler land reform process

2.5 The importance of woodlots to local communities, small scale entrepreneurs and indigenous forest conservation – a case study - Cori Ham, Ukwazisa Consulting

- The presentation covered the following:
- Background – description of the nature and state of woodlots in South Africa, covering locations, condition, rationale for establishment

3. CERTIFICATION'S CONTRIBUTION TO BETTER FORESTRY

3.1 *Environmental aspects of the forest certification process* - Dave Scott

The presentation covered the following:

- General thoughts on the contribution of certification
- The process: basics
- The assessment team
- The consultative process
- The decision-making process
- The learning process

The Contribution of Certification:

- Responsible for a very large improvement
- Certification has provided motivation because of its commercial imperative
- The importance of setting the agenda
- FSC certification sets a broad standard
- An independent, absolute and specific forestry standard

The process: basics:

- Pre-assessment and the Checklist
- Setting the agenda and standard
- Assessments, and surveillance
- Corrective action requests (CARs)
- Self-assessment and continuous improvement
- Revising the operating standards and procedures

The assessment team:

- The team leader needs to be
 1. A trained forester,
 2. A trained auditor
 3. Preferably, experienced in forestry internationally
- Other team members:
 1. Appropriately skilled and respected within their technical areas
 2. Proper insight in the wide range of forestry areas being assessed.
 3. Technical training and experience more important than auditing experience (RPF*); a demonstrated sympathy for environmental issues.
 4. Strength of character, financial independence, communication skills
 5. Mix of Local & Overseas-based assessors (international std)
 6. Introducing new auditors and mentoring

The Consultative Process:

- Identifying the Stakeholders
- Contacting Stakeholders - a standardized form information sheet and questionnaire
- Thoroughness of the Survey
- A need to adapt to local conditions
- Do Stakeholders make use of the opportunity
- Consultations within the Company

- Progressive legislation with interests of weaker members of the society at heart
- But, difficult to audit compliance

Developing social norms and standards:

- Considerations:
 - Need to be negotiated rather than determined: no right and wrong, instead, competing different interests
 - What is the place for minimum standards in global climate that drives cost cutting?
 - Keep in mind weakness of representative institutions
- Three options:
 - Improve the Qualifor checklist
 - "Social code of conduct" developed by FI
 - Principles criteria and indicators – NFA, DWAF

Company capacity to deal with social issues:

- No process to develop norms and standards nationally
- No internal system for identifying and addressing social issues
- Community development – very complex issues

Marginalisation of key social stakeholders:

- No say in setting the standards to begin with
- Lack of info and understanding of certification as a tool
- Poor communication during audit: lack of time, language barriers, fear of reprisals, poor communication facilities, and difficult to locate and contact
- The closing meeting is a closed shop
- The final report is the property company management

3.4 The impact of environmental certification on the South African forest products supply chain" - Nikki Dunne, University of Natal

The presentation covered the following:

- The pressure for FSC certification has not been applied evenly across the timber products sector.
- South African timber product exports are focused in low-value market segments
- Pressure is concentrated in the DIY and garden furniture sub sectors, mainly in large chains
- Manufacturers in the DIY and houseware sub sector consider FSC certification a growing trend
- Other manufacturers seen little evidence that FSC certification will become a dominant issue in their markets in the near future.
- Greater pressure to find FSC certified sources of hardwood, as hardwood is more likely to come from an unsustainable natural forest source than is softwood such as pine. South African manufacturers producing with Saligna see new market opportunities emerging as they attempt to position Saligna as a substitute for unsustainably harvested hardwoods such as teak.
- Relatively limited spread of FSC amongst UK buyers

Overview

- ISO could lead to management standard equal to, or superior to, the levels demanded by the *Forest Stewardship Council (FSC)* certification
- Not a product certification
- ISO and FSC complementary

Introduction to ISO

- ISO 14000 series is a procedure standard, not a performance standard
- ISO is a systems approach to continual improvement
- Guidelines on what must be contained within an EMS
- Limited to the to the scope of the implementation - ring fencing

ISO 14001 implementation in South Africa

- SAPPI forests – full except long haul transport
- SAFCOL – in process
- MONDI – not implemented, but some components used

Benefits – why implement?

- Market forces
- Green movement pressure
- Easy to sell to management
- Government policy
- Internal efficiency
- Risk reduction
- Maintenance of FSC certification
- Continues improvement
- Low entry barriers

COSTS

- Setting up
- Audits (third party)
- New infrastructure
- Staff
- Savings, efficiency, insurance, risk reduction

Strengths and weaknesses of ISO

- Own targets
- Certification of the EMS not the performance standards
- Ring fencing of activities
- Community and stakeholder participation
- As a means to FSC
- Bureaucratic
- No label
- Allows for a start from a low base

Conclusions

- Can be very powerful, but requires either or both

3.7 *Ethical trade and forest dependent people: How can small growers benefit from ethical trade?* - Anne Tallontire and Bill Maynard, Natural Resources Institute, UK

3.8 Certification – issues arising from respondents (Jeremy Evans, Dave Scott and Rob Cairns) and group discussion:

- PROCESS – the papers give a stock-take of this – not yet a full assessment and certification impacts
- COMPANY CAPACITY – SOCIAL ISSUES weakest – how can certification process be built on to help develop capacity here?
- NATIONAL FOREST STANDARDS
 - What will they look like?
 - What process to get to them?
 - Can they cover diversity of contexts?
- CONSISTENCY AND CAPABILITY
 - How can certification decisions be made more consistently across FMUs, company levels and time? And between certification systems?
- PARTICIPATION – CONSULTATION – INFORMATION EXTRACTION
When / where to apply these different types of engagement?
- CONTRACTORS – now the majority of forest management agents. How can certification deal with them?
- COMPANY DECISION-MAKING – improving response, dialogue and transparency
- INFLUENCE ON POLICY / STANDARDS – strong record on environment and management systems – how to fast-track social from experience to date?
- SUPPLY CHAINS
 - Small tail wagging big dog
 - UK buyers groups, DIY retail
 - Slow beyond this – how to help the ‘second wave’ – Europe, USA, etc?
 - Effective signals from buyers – forest = more TRANSPARANCY – a good thing (But why no SA suppliers on Buyers Group website?)
 - 50% of production in SA now FSC certified – spread already – now need to deepen impact. What challenges in spread to SADC countries?
- ISO 14000 – strong on system and procedure – complements FSC – helps maintain FSC. ISO only as strong as company’s own policies and standards
 - Wholesale application
 - Partial application a problem
- SMALL GROWERS AND CERTIFICATION
 - Don’t assume certification is the answer before the question is clear – big trade-offs between environmental improvement, livelihoods improvement and efficiency improvement
 - Markets – if mostly pulp – why certify?
 - The nature of the tool – binds growers to companies too much?
Contractors ripping off growers?
Group schemes – NCT
Company schemes – SAPPI/Mondi
 - If go for FSC with standards – how to get implementation moving?
 - Institutional maturity
 - Certification is capacity-intensive – can only be handled by some so far.
 - ISO route linked to companies provides a means for steady improvement from a low base
- WAYS FORWARD
 - Information / awareness for stakeholders – concerted process

4.2 Contracting – issues arising from respondent (Roger Godsmark) and discussion:
Company perspective:

- Land-holding now a liability rather than an asset
- Contractors increasing
- Commercial outgrowers increasing

Why this move towards contracting?

- Initially – to decrease exposure to militant unions
- Reduce costs associated with employment (there are 200 schools, creches, 70 clinics, 90% of forest workers have electricity, 95% have potable water – all this is expensive)
- Reduce exposure to labour legislation
- Increase competitiveness (Sappi – just received got an award on London stock exchange as SA's most globalised company)
- Allows stronger focus on core business = producing pulp, paper and sawn timber, not growing trees

Trends - Contracting and outgrowing future:

- More contractors
- Companies will put whole districts out to management contractors
- Small contractors will be hired by these few big management contractors – and these will have to be legally 'independent'
- Outgrowers – more, bigger 'small-scale' growers, spread to other provinces

Key challenges:

- Compliance with legislation – outgrowers and contractors
- Land tenure
- Community representativeness
- Training – note the new Contractor Upliftment Programme and SETA
- To move towards outsourcing companies need to hold considerable overheads to keep capacity developing, e.g. contributions to ICER [sp?] on silviculture and bursaries for students etc – no sign yet of any contracting companies investing in these things. However – levies are coming – above a certain size contracting companies are now obliged to pay into capacity-development schemes.
- Declined and declining conditions of forest workers over the last 10 years is still a reality. However, we need better figures on this to assess this properly

4.3 Leasing of state-owned plantations: some recent experiences from South Africa - Tim Foy, DFID and Jeremy Evans, CSIR

The lease has emerged as a central element of South Africa's privatisation process. It provides a practical mechanism for the state to transfer use rights to the private sector in a manner which does not undermine underlying land ownership rights, and so is legally acceptable. In addition, the lease provides the means of ensuring that the expected benefits of retaining land in public ownership, while transferring use rights to the private sector, are realised in practise.

Rationalise, consolidate	EXISTING								
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The big idea: one-stop shop
Provincial
Funded by donors, government and industry

Certification and related initiatives for sustainable forest management

How to move forward on social issues?

- What do we know about the impacts of certification on stakeholders?
How to develop national standards (on social issues) and make them work?
- Dealing with contractors
 - Dealing with small scale...