IIED-CSIR

Instruments for Sustainable Private Sector Forestry

Theme Three: Company-Community Partnerships: Tree Outgrower Schemes in KwaZulu-Natal

"Between the Woods and the Water"

The Policy and Legislative Environment for Outgrowing at the Regional Level: KwaZulu- Natal.

"We face enormous challenges in addressing the distortions of the past. It is inconceivable that the challenges can be successfully addressed by any single or select group of individuals or organisations. We need partnerships. Partnerships will provide the multipliers that are so urgently needed. If we develop partnerships we should structure them properly. We must not lose sight of two imperatives. Firstly that farmers are the starting and finishing point. Secondly, we must draw on the strengths of partnerships rather than to develop these in competition. What we have to do is develop niches within organisations and form relationships so that we can develop together."

In address by Patrick Sokhela: Chief Executive Officer of the Institute for Natural Resources, University of Natal, Pietermaritzburg, to 62nd Annual Congress of South African Wattle Growers Union (SAWGU), November 1998.

Jeff Zingel

JGZ Development

5.5. Summary: The balance of power and interplay of forces in the partnerships

During establishment of the partnerships the balance of power could be described as lying within the orbit of the companies. Access to finance, technological knowledge and control of the available markets, and setting conditions to loans to growers, allowed for the expansion of the partnerships within a climate aimed on the whole at achieving company objectives and derived production targets. In the case of the *Khulanathi* partnership, this balance was moderated by community lawyers, who renegotiated terms of the partnership contracts around the crucial areas of household rather than company control of the returns to coppicing, and of inheritance.

This balance of forces could be said to have continued through the early years of the programmes, which were marked by conflict and opposition. There was a tendency for company extension staff to drive production arrangements without the full knowledge and understanding of many illiterate outgrowers. There was, probably, an inherent attitude among company staff that they were assisting households in their best interests, since they knew how best to operate the development and management of timber stands and contracting on the growers behalf. Aspects of the loan agreements regarding payment and management for annual tasks after completion rather than before have also been viewed as inhibiting household performance and suiting management objectives.

A general trend of displacement of land use from other potential crops and from grazing occurred over the initiation of the programmes, but the soil types and climate in the physical areas of the partnerships generally mitigate against extensive subsistence production. Where it does occur, and continues to occur is in the wetter valley bottoms, adjacent local wetlands and stream beds, areas which company extension service staff aim to avoid in following environmental management guidelines.

Over time households began to make positive trade-offs towards tree growing based on perceptions of greater economic returns to trees, and to adjust patterns of resource use to suit their changing economic conditions. However, for many growers the annual and year of harvest returns to timber stands were not clearly understood, or consistently managed. The implications are that refined economic decisions and choices were not made, and that other factors impinge on decisions for planting trees. One is the need to secure access to land holdings when a local principle of usufruct applies only if the land is used, with the 20 year potential growth cycle of the clonal eucalypt therefore ensuring a security in land tenure.

Despite this aspect, a large measure of the shift to a climate of co-operation within partnerships, and an increase in independent growers outside of the partnerships but using the available facilities and extension support, can be attributed to a richer understanding in households of the potential and actual returns over the term of the second and third coppice. While the record shows a strong ability to manage receipts and payments on loans, there has been a reported inability to take the necessary jump towards assessing cash flows and returns at the scale of an 'enterprise' in the greater community of outgrowers. Much of this has to do with grower management of household survival strategies, with use of harvest income being one source in multi-facetted strategies.

The balance of forces have shifted away from the companies, since perceptions in the community and individual responses to the partnerships reflect an increasing overall willingness to engage with the companies. While this may be a reflection of large scale job losses (over 1million) in South Africa's economy over the past 5 years, it is locally attributed to neighbours seeing the use to which growers put the lump sum returns from harvesting and the potential of the coppice, thus increasing local demand for membership in the partnerships. In addition the range of downstream activities which are generated are a benefit which local communities can access, albeit on for many on temporary terms and in weakly defined, locally negotiated conditions.

Companies are now managing a service, which is driven by a strong local demand, and are having to cope with upgrading and supporting its integration with other essential activities. Contractor support, the management of allocations in conjunction with the industrial forest product, the development of certification and dealing with the requirements of the public sector while trying to promote grower interests in their expansion are the key issues.

Despite these shifts in relations of power, households and communities have not on the whole been sufficiently 'empowered' institutionally, nor 'transformed' economically. As noted, refined extension methodology is yet to be introduced, public planning for physical infrastructure has been minimal, and institutional development is weak in the hardwood partnerships, with the range of producers not incorporated into understanding and managing the various 'systems ' in outgrowing partnerships. There is no preferential protection and pricing support as exists in the comparable sugar cane sector. The economic opportunities and impacts at household level remain limited, but not limiting, and are partially inhibited 'structurally' by the nature of the crop itself, (see the comparisons to sugar cane), land tenure practice and the levels and type of support for extension. Numerous windows of opportunity exist however, in the context of new legislation and planning noted in the report.

Within this changing interplay of forces, the role of the state in the partnerships has been minimal, and where active, limited to generating or refusing afforestation permits, following principles based on wide and new criteria and the requirements of competing interests in diverse national and provincial bureaucracies.

Thus the important issue is really one of 'who owns the sector'. Is it the companies, is it the growers, or is the state the determining, or limiting factor. Does the promise exist for a sustainable expansion of forms of 'partnership' where all interests can maximise in a, commonly stated, ' win-win' type of scenario which goes beyond the bounds of the present parameters, and widens options and increases opportunities for better 'livelihoods'? If so, where are the ceilings and who provides the resources to achieve it.

There would appear to be sufficient substance in this report to support the possibilities in the scenario and these are covered in the conclusion.

6 An assessment of environmental and developmental costs and benefits.

The environmental impacts of afforestation in South Africa have received serious attention, and generated an intense debate over the past ten years. The major contours of these impacts are generally well known, with the timber industry either voluntarily, or due to an expanding regulatory environment dedicating substantial resources towards counteracting a generally negative set of public perceptions around its activities. Various policies, research, impact assessments, mitigation, certification programmes and debate have centred on the following negative impacts of forestry:

Water use impacts, and particularly its preferential and uncontrollable water use status in the upstream parts of catchments, the effects on runoff and the subsequent reduction of water availability for other agricultural, domestic and industrial use. Its impacts on conservation needs and on the water-table and the now statutory reserve are contentious, as are its impacts on human needs during low flow regimes in rivers.

Bio-diversity impacts, predominantly from the land use changes arising from planting trees, and on the irreversible associated loss of wetlands and of an open and expansive grassland habitat. The effects of these on endangered bird, animal and plant species, (many of which are endemic to areas of high afforestation potential or use), and the invasion by alien species onto land adjacent plantations are renowned. The residual effects of pesticides and rodenticides, the pollution effects from burning slash, litter and firebreaks, and potential neglect in managing archaeological sites are also well recognised;

Its effects on landscape ecology, which is currently viewed as the pattern of landscapes which both maintain biological diversity and sustain economically viable levels of timber production. Two inherent concepts in landscapes are those of 'ecotones', which are those boundary areas between two fundamentally different landscapes held by ecologists to be key sustainability features of biological communities and systems (Le Maitre 1994 in Gandar., 1995), and 'island bio geography,' which is concerned with the long term viability of specific tracts of land, usually small and isolated areas, in plantation areas or areas of potential afforestation within which natural communities are confined.

At the broader socio-economic scale the economic impacts of an expanded afforestation regime are held to be numerous. They range from forced depopulation and unemployment in rural areas, the loss of on- farm housing and the associated demands on local, provincial and national governments arising from intra-rural and urban migration, to the local impacts of centralised buying and procurement practices and the impacts of outsourcing tasks.

It is only recently that these concerns with the impacts of afforestation have been transferred into concerns in the outgrower partnerships. Much of this is due to participation in a wide set of interests in the structure of committees in the revised stream flow reduction allocation and management regime, as well as inclusion of a range of interests in environmental planning by the industrial forestry companies.

This section tabulates the positive and negative costs and benefits which have been recorded in relation to the output and the impacts of outgrower forestry in the tribal wards of their operation.

Table 6. Environmental and development costs and benefits

Positive Benefits	Associated Impacts	Negative Costs	Associated Consequences
Economic and Financial			
1) Contribution to Provincial Economic development	Annual net output, Some savings to the state	None	Minimal state involvement and support
2) Household economic development	Contributes between 10-40% of annual household income	None	None
3) Creates downstream enterprises	Over 150 formal downstream opportunities created in maintenance, cut and haul, short haul and long haul contracting	Sustainability not ensured throughout the year and over cropping cycle, if enterprises not integrated properly Into operations	Informal employment practices enhanced
3) Formal and informal employment	Some formal in companies, wide range of informal employment in day wage tasks	No structure for management of informal workers Wage conditions and needs	Uncertainties, no bargaining powers For poor households
4) Adjusts patterns of land use to economic resource use	Promotes improved household income generation by between 15 to30%	Possible displacement of food crops –not prevalent.	Can affect regional land use planning-generally mitigated
5) Compliments multi-facetted income strategies for households	Adds larger cash lump sums on harvest	None-	None
6)Provides source of credit finance	Between R20-30 million advanced	Limits state involvement	Suits private sector interests in charges
7)Creates secondary local markets in poles	Provides short term cash resource for emergencies	None	None
8)Risk is shared	Growers handles production risk; companies the marketing risk	No regulation of terms of risk	Company interests can predominate
9) Companies have secure relations in	Stabilises rural relationships	None	None

rural areas			
Institutional			
1)Develops a range of producer associations and contracting organisations	Engages rural entrepreneurs in embryonic institutional development, recourse for poor households in weeding associations	Limited planning, limited state involvement and support	Potentially unsustainable livelihoods, mitigated through privatisation
2) Institutional incorporation into Sawgu and NCT-	Provides equity, incorporates growers into design of institutions and of finance. Provides model for industry relations	None	None
3)Promotes small – business practice, financial management and marketing	Embryonic and not well developed. Marketing options well developed	Limited state support	Reduces potential for best practice and sustainable livelihoods
4)Provides a basis for entry into new partnerships in land reform, provincial planning and rural development	Potential possibilities, Savings to State	None	None
Land use practice			
1) substitutes other cash crops on unsuitable soils	Higher returns, less labour intensive,	Reduces possible nutrition status of households	Increased cash purchases in the market
2) Minimal displacement of other food crops	Provides alternatives in marginal soil areas	Can conflict with cattle regime	Local conflict
3)Changes commons management to open access to the land resource	Develops alternate and improved income possibilities	Can conflict with common resource management	Mediated by community leaders
4)Some environmental management, introduced and rehabilitation of slopes	Can rehabilitate some degraded catchments	Can over plant some catchments and sub-catchments	Reduction in bio – diversity

Water Use			
1)Dispersed stands have lesser impact	Reduces extent of stream flow reduction inherent in timber	Contributes to stream flow reduction and water table loss	Negative impacts on other land use planning /eco-tourism
2)Generally downstream in low lying catchments	Limits effects on other demands	Some impacts on eco-tourism Interests	Poor integration of planning for development-in SDI's
Bio-diversity			
1) Ecotones and island bio-geography more pronounced	Creates opportunity for maintenance of bio-diversity	Can deny the integrity of systems	Reduced bio-bio-diversity NGO reaction, conservation body reaction

Most of these impacts associated with outgrowing have not been sufficiently quantified in the past. The table is therefore preliminary, and suggests a basis for the development of more detailed, integrated investigations which would probably allow for the development of more specific guidelines and criteria for use and application in the progress and prospects of a more sustainable and developmental outgrower forestry regime in the province.

6. Issues affecting the future type and extent of developments in outgrower forestry

The policy concerns and the issues for consideration for small scale timber growers developed in the National Forestry Action Plan (NFAP) of 1997 (p.37 above) provide a useful starting point with which to develop the findings of this report.

Summarising, these are:

Areas of Concern	Avenues for Progression
1)That afforestation may expand in areas where other forms of land use may be more beneficial if comparable forms of support were available	7)A greater understanding within the sector of the opportunities for, and constraints on, wider participation for small growers
2)That tree planting may interfere with existing access rights by other stakeholders to land	8)Increased numbers of independent small growers involved in the production of wood and wood products
3)That small scale growers are in a weak position to negotiate timber prices and other conditions of contract	9)Greater bargaining power and improved marketing arrangements through (the formation of) co-operatives or similar associations
4)That the terms of the loan finance agreements with the private sector may result in growers becoming dependant on the larger companies	10) A wider range of financing operations for small –scale growers
5)That the cumulative effect of large numbers of small plantations may be significant	11)Complimentarity between government and the private sector in providing support services to growers, and
6)That corporate support for outgrowers may be a means for companies to circumvent restrictions on new afforestation	12) Government and private sector resources aligned with the provision of support services to growers

The report has covered the following conditions and trends which will influence the future type and extent of the development of the sector, and which address these concerns:

Areas of Concern: 1 and 2.

Local and regional land use practice and the implications for other sectors and planning.

- Local land use to timber has minimal displacement effects over other uses. It is mediated by changing perceptions about economic resource use in a beneficial way to households and communities. Where conflict exists in a general transition from common property resource management to a system of open access to all, this is mediated by local leadership who generally consider the full range of marginal and vulnerable households in the allocation of the resource. Companies are devolving practice to accommodate marginal land sizes in operations

- Spatial development land use planning has already determined the terms for the expansion of timber production by limiting its use as part of economic development planning and programmes. This has been mediated by industry interests –in both public and private sectors- which are delineating non-competitive land use planning within these considerations. Further land use options for outgrower forestry exist within the parameters of new concepts and principles in local and regional planning. These possibilities need not be conflictual and can be developed in a complimentary fashion.

Concerns 3 and 4.

Timber prices, conditions of contracts and loan financing

- Movement in the industry has resulted in wider price differentials available for outgrowers to sell their product and is creating considerable opportunity and energy in the sector. The terms of contract are not held as sufficiently binding by the companies to preclude growers from shifting markets. Conversely, conditions in contracts can be restrictive financially due to company interest charges and preferred practice associated with its application, and mill gate pricing. VAT exemptions provide partial relief to growers, but no forms of support exist for preferential pricing. Mitigation of these negative aspects is easily possible.

Concern 5.

The accumulative effect of large numbers of small plantations.

- These are no different to the effect of large numbers of sugar cane plantings, except for the potential for stream flow reduction, which is minimal due to the real dispersed nature of plantings. The concerns are generally a throw over from concerns in the industrial plantations, inhibit economic expansion in the household enterprise, and are being contested by local growers. They can be easily mitigated in new planting regimes.

Concern 6.

Corporate support is a means to circumvent restrictions on new plantings

- This may have been the case in the early development of partnerships. The balance of forces could be described as having shifted to a climate where the companies are having to invest in order to accommodate local demand, and to one where the limited progression of the industry now requires outgrowing as a singular component in its economic progression. Private sector led outgrowing in the form of company- community partnerships is proving sustainable, stable and replicable. Outgrowing has thus matured into a sector in its own right, with many options for advancement, and for widened and differing roles for the corporates, and needs to be viewed as a key component supporting industry competitiveness locally and internationally.

- Corporate support for outgrowing is a vehicle for access to privatised state forestry assets. The incorporation of outgrowing interests in the bids will contribute to outgrowing's sustainability, and probably more so than alternative models being presented in this process.

The Avenues for Progression:

7. Opportunities for and contraints on wider participation for small growers

- The report has identified a wide range of opportunities for expansion for growers and for new entrants, including those which can be developed in the context of land reform and new planning. These can be developed through proper consideration from the ministry, and consolidated with other state investment in reform and rural development as discrete arenas of departmental investment in conjunction with the private sector. Financial, price and market constraints can be developed and negotiated successfully by all parties, and models are available for best practice consideration.

8. Increased numbers of small growers involved in production of wood and wood products

- The Sawgu partnerships have shown the way in the provision of equity in the production of the bark product. Possibilities have been raised regarding equity participation in a process of 'unbundling' some of the company estates and in new ventures. Present arrangements in the hardwood partnerships do not provide much more scope in local product development beyond exports and in processing, except in the infrastructure of the chipping plant companies. There is no reason why equity participation should not be extended to private growers through the NCT structures.
- In addition, there is no reason why ministry support is not developed to integrate grower interests with local hardwood furniture and garden furniture manufacturers, and to develop wider markets for household products in the community in which the product is grown. Sensible negotiations –perhaps conditional on concessions to companies - and adjustments to supply terms of outgrower contracts could move a portion of the output, and the margins, towards growers and contractors. This diversification is essential if real returns are to be realisable to households and if real adjustments are to be made to present lifestyles.

9. Greater bargaining power, improved marketing arrangements

Improved bargaining power is being developed through the alternative marketing channels available for growers in the NCT. This channel is also developing co-operative companies among outgrowers and contractors. However this support is limited in it's conception and extent and is not industry wide. These essential elements are, as in the sugar industry, only likely to be achieved through the development of industry wide forms of grower representation and empowerment- where the Sawgu model offers examples- and growers are fully incorporated into understanding and developing the structures for the representation of their interests.

7. Recommendations for the future development of the sector and for policy

Best bet options, appropriate principles, practices and tasks, next steps

Based on the issues developed and concerns addressed in the foregoing sections, the following areas of activity are the key arenas for the future development of the sector.

7.1 Institutional development and integration

Effective progression in outgrowing can only be served by a more effective framework of institutional incorporation and development of outgrowers within the industry as a whole. There is already movement within the offices of the FOA and Satga, where incorporation is being suggested and based on a 25% representation on the executive of a new integrated structure for all private grower interests. Beyond this arena, there is also a need to formalise the development of representation at grower and contractor level. This has been achieved in Sawgu, and in the NCT, but is missing in the hardwood partnerships. It appears that an ideal would be for the first, industry level structure of representation to be developed and following from that, an initiative undertaken which supports the promotion and organisation of the grower associations. Precedents exist in the operation of a Trust in the sugar industry.

The recommendation is for the state, in conjunction with the donor community, to investigate and support the development of outgrower representation.

7.2 Financial and marketing support

Important advances in the sustainability of the outgrower investment can be made by addressing the framework of price, financial and marketing constraints in the sector. These issues would need to be addressed by the ministry, with the support of the major players, and alternative options developed in terms of agreements between the actors and institutions, and formalised through agreements in the more advanced forums for grower interests which need to be considered. Credit finance, its costs and application, price support and mill gate pricing, and the contractual constraints on marketing need consideration, as well as the impacts of forms of 'deregulation' on the structure of arrangements in a 'segmented' industry at present. The sugar industry again provides an example of the impact of deregulation and pricing , although within a different structure of interests and channels.

7.4. Physical expansion of outgrower plantings

Since constraints, including the rigid application of the water act, and some regional planning, inhibit the progress of further planting, detailed consideration needs to be given to the design of a framework for the negotiation of support for new planting in outgrowing. This framework should be driven by a forum comprising the ministry, the provincial planning and agriculture departments, and the provincial land reform offices, and include a spread of outgrower and forestry company interests. Innovative land use for outgrowing in the 'urban-rural interface ' will need to be accessed, and competition and conflict with other uses will need to be negotiated.

The requisite forums need to be established by the ministry, in conjunction with the private sector, to drive the development of these options.

7.5 New grower associations

Necessary growth in the sector can be advanced over time with the design and support for innovative new grower producer associations and partnerships at three levels. The first are in forms of public-private partnerships in the development of new areas to planting, where assets can be are unlocked, infrastrucuture developed and shareholding widened.. The second is in forms of company association for interests in land reform and developed through agribusiness support and driven by local government. These can go beyond current policy in land reform. The third level is at that of promoting successful growers and sharecroppers into lease holding or shareholding in 'divested' company plantations – in areas of potential conflict and land hunger- and potentially incorporating marginal local interests into these associations in a productive way. At all three levels, development companies and Section 21 companies can drive the organisation of interests as participating agents.

This framework of considerations could be developed by the companies themselves, using experiences in the privatisation process, and with support from the ministry and aligned with donor objectives in livelihood generation and land reform in the province.

7.6 Social and technological development and infrastructure

A final area requiring support concerns the provision of technologies and technical and extension support. These is scope for considerable innovation in 'technology transfer' in integrated farming systems support, and in support for natural resource management. These need not be driven through a variety of agencies and instruments, and can be developed by the companies with support from the ministry on a project by project basis, and incentivised.

Conclusions

This report has assessed the performance and progress of the outgrowing enterprise in KwaZulu-Natal, with a focus on its institutional and economic underpinnings and the policy and legislative constraints and opportunities in its progression.

The concerns addressed and recommendations made recognise the present viability and sustainability of private sector led outgrowing, and point to important areas for refinement, adaptation and improvement, where the balance of participating interests can all be better served. It implies however, a major conceptual and procedural shift in the way in which outgrowing is conceived and managed in the future. In essence the recommendations take outgrowing out of the bosom of private sector forestry, and into a framework of potential arrangements where a multiplicity of interests drive the concerns in the progression of the sector made above. The private sector essentially become agents for supporting and participating in a refined and widened 'development process' which will need to be driven with key structural concerns and objectives uppermost. These primary, driving concerns are;

The expansion of opportunities in accessing land,
Wider institutional development and technical improvement,
More elaborate partnerships for the participation of new interests, and
'Tighter' financial and wider marketing arrangements.

The associated implication is the need for a central development agency to co-ordinate and promote these objectives and concerns. Given the size of the task and the multiplicity of actors and agencies inherent in its scope, the possibility of a provincial 'outgrower ' agency being established, possibly under the auspices of the ministry should be considered. Programme and project activity can then be developed and co-ordinated locally.

Community-Company Partnerships: Private Sector Forestry in South Africa

Introduction

Partnerships between communities and private companies have been tried and tested in various regions within Africa and the world. Community-Private-Public Partnerships exist in various sectors such as mining, agriculture, tourism and forestry. These relationships are often attempts to promote equity of benefits accruing basically from land-based resources between the private sector, and/or government and communities. In Africa and in southern Africa, various tests and trials have involved natural resources and more specifically, Community-Based Natural Resource Management hence partnerships have mostly been discussed in the context of CBNRM (Katerere, 1999). Players in partnerships are often motivated differently by such ventures depending on the needs and aspirations of each party in the particular region. Partnerships are also influenced by national policies. The government, the private companies and the communities all have distinct roles to play. The main focus of this report will be to examine partnerships in the private forest sector in South Africa. However, similar ventures existing in sectors such as tourism and agriculture within South Africa will be examined as well as in other regions of Africa and elsewhere.

Why Partnerships? In South Africa's forestry sector, various factors continue to motivate community-company partnerships. Apart from existing relationships between forest companies and communities, there's still potential for partnerships on existing commercial plantations, community woodlots, indigenous forests and on newly afforested communal land (DWAF, 1999). For the private company, contract partnerships with communities for instance, is an accumulation strategy and an alternative way of acquiring supply of wood and fibre raw materials. Partnerships are encouraged in areas closer to the mills for easy access and to minimise transportation costs which from the growers point of view, is the most costly aspect of the outgrowing schemes (Ojwang, 1999). Partnerships thus makes it possible for companies to avoid fresh investments in land, labour as well as other costs of managing and harvesting the forest resource. It is seen as a way of allocating risk between the companies and the communities that they work with. Production-related risks are transferred to the communities while the private companies retain the risk of marketing.

The fragile land situation in South Africa is also influencing the move toward partnerships. The current land debate has already implicated existing private companies as claims are made on some parts of their plantations. Partnerships that involve outsourcing from individual-owned or community-based land resource shields the forest companies from tenure disputes as they do not have to continue with investments on the land. Since these private companies may lose to the benefit of land claimants, it is imperative that the private companies strengthen partnerships with communities to maintain and improve on raw material supplies.

In addition, due to the previous land policies of apartheid South Africa that denied blacks ownership of land and often subjected them to displacement, forestry activities have in the past, been viewed with suspicion and hostility by communities. As a result, there have been cases of conflicts often resulting in destruction of forest resources. The private companies realised the need to forge close relationships with communities adjacent to their projects by involving them in forestry activities to allow benefit flow to the communities. Through community involvement in forestry activities, it is presumed that conflicts would be minimized, thus partly seen as a security measure against arson and other prohibited uses of the forest resource. South Africa Pulp and Paper Industry (SAPPI) also acknowledges that through integrating small-scale farmers and integrating black individual farmers into their projects, they are fulfilling a social responsibility of creating development opportunities for the impoverished rural communities adjacent to their projects and thus view their contract partnership with the communities as a tool for rural development (Ojwang, 1999).

To the communities, partnerships with private companies assist in building local capacities through training and exposure to technical and managerial skills and improved decision-making. It also gives them a chance to participate in the management and use of local resources, provides income as a tool for poverty reduction and contributes to the overall development of the rural areas. Benefits to the community as a whole comes in the form of improved infrastructural initiatives as private companies develop schools, medical centers and roads in areas where they work. More often that not, communities with land resource are ill equipped in terms of access to credit facilities necessary for production, technical expertise and markets for their produce. Their association with private companies gives them access to such incentives.

The government on the other hand, views partnerships as a mechanism for facilitating the social and economic empowerment of rural communities. The government's role is to create an enabling environment for the development of the sector in a way that is equitable and sustainable. The government of South Africa acknowledges that the forest industry has a significant role to play in rural development (DWAF, 1996) through providing opportunities for the emergence of Small, Micro and Medium Enterprises (SMMEs). However, SMME's in the forestry sector has been minimal though it has received attention in other areas such as marine resources (Shackleton and Willis, 2000). Equity sharing and joint venture between the private sector and communities is another mechanism for enabling partnerships to balance the unequal distribution of wealth, land and capital.

Partnerships between the communities and private companies emerge because of various reasons. Some partnerships are the initiative of the private companies for the purposes of accumulating raw materials and to a lesser extent, as a means of contributing to social and economic development of the rural areas. An example is the Mondi and SAPPI contract shemes that are discussed in more detail later in the report. Others are spontaneous, with little or no negotiations as is the case of the groundnut schemes in Tzaneen while a number of partnerships in the Southern African region have emerged out of conflicts and claims to land and management of the land resources. Examples are the Makuleke and the Kruger National Park (see Box 2), and the Mahenye and Gonarezhou National Park (See Box 1). Other partnerships have had significant government involvement such as the Madikwe Game Reserve in South Africa (see Box 3). In Madikwe, weak participation of the community and their unclear roles have contributed to the slow progress of the partnership. The government is also facilitating Spatial Development Initiatives (SDI) and this is steadily progressing especially in the Tourism sector; the objective being to promote community-based eco-tourism opportunities in scenic and underdeveloped rural areas of the country through private sector investment (Shackleton and Willis, 2000). SDI are being developed in areas of the former Transkei and in KwaZulu-Natal for example the Lubombo SDI of the greater St Lucia Wetland Park (see Box 4).

Some of the contracting arrangements in certain countries have been seen as a broader attempt by Trans-National Companies to integrate peasants, new small growers and workers into the modern agrarian sector (Van Rooyen, 1999). The Kenya Tea Development Authority (KTDA) created by the Kenya Government, the Commonwealth Development Corporation (CDC) financed by the World Bank, OPEC and the former European Economic Commission (EEC) has been described as one of the most sustainable contract arrangements (*ibid.*) in terms of transforming the small-scale farmers to be financially and economically independent. However, this scheme hasn't escaped from inadequate understanding by the financiers of the underlying social dynamics within the communities and contracting households. As a result, household conflicts have characterized the scheme mostly arising out of land tenure issues (Sorensen, 1993). Male heads of households often hold titles to land and are the direct legal beneficiaries of the scheme leading to conflicts with their female counterparts reported to provide most of the labour input. In her study, Sorensen (1993) identifies a link between low productivity in smallholder tea production to the gender relations in the household.

Within the Southern African region, the most common types of community-company partnerships are[1]:

1. **Joint ventures** – The private investor and the community enter into an agreement with the community holding an **equity stake** (Katerere, 1999) and the proceeds are shared according to the value of each party's input (du Preez, 1998). Where the land belongs to the community, it is valued and this forms part of their stake. A process of negotiations where roles and ambitions of both parties are discussed and agreed upon often characterizes joint venture partnerships. Most importantly, it is based on trust, transparency and on equity and mutual benefits (ibid). A forestry joint venture is under implementation in the Eastern Cape, South Africa; the first of its kind on South Africa's communal land.

2. **Contracts** – The private company provides individual growers with incentives such as loan advances for establishment, technical expertise and subsidized inputs. The community or individual provides land, labour and is conditioned to sell the matured product to the private company (Ojwang, 1999). Unlike joint venture partnerships, contracts often lack joint decision making of both parties whose interests could be diverse. In South Africa's private forestry sector, this enterprise has been the most widely practiced and involves thousands of small-scale timber farmers in KwaZulu-Natal with Mondi and SAPPI as the major private players. Similar partnerships are also employed by the sugar industry in KwaZulu-Natal and the former Transkei.

3. **Leases** - The investor signs an agreement with the community based on use of communal land, develops the facility and pays a lease fee to the community. Depending on the agreement, the community may or may not have any involvement in the running of the enterprise. An existing example with no community involvement in the running of the business is the wildlife venture in Zimbabwe involving the Mahenye community, Zimbabwe Sun Hotels (ZIMSUN) and Communal Areas Management Programme for Indigenous Resources (CAMPFIRE) (see Box 1). A similar venture is likely to take place in South Africa's forestry in the context of restructuring, especially in areas of the former homelands in the Eastern Cape, believed to have the highest potential for reafforestation. Unlike the Zimbabwe case, the community is expected to play an active role and benefit not only economically but also in terms of improved local institutional capacities.

4. **Co-Management** – Involves a joint management of resources by an agency and a community. In this case, rights and obligations of each party are clearly spelt out. A recent example is the joint conservation management initiative of the

[1] The different types of partnerships, strengths and weaknesses are discussed in detail later in the report

Makuleke region of the Kruger National Park (see Box 2) by the government and the community. Private investors are expected to join the partnership for further development of the area. The community now owns the land after a highly successful claim from the Kruger National Park through negotiations (Koch and Massyn, 1999).

Forestry contracts in South Africa: In the South African forestry sector, various kinds of partnerships between private companies and communities have been in existence since the early 1980s. Due to increased market opportunities, this period saw an increase of black small-scale timber growers especially within the former homelands. To the private companies, this signaled improved opportunities for outsourcing and the creation of partnerships with new and potential timber growers. The most established of these partnerships is the contract timber growing in KwaZulu-Natal involving the communities and Lima Development Foundation (contracted by SAPPI), and SAPPI and Mondi companies respectively. Mondi's scheme is called *Khulanathi* while SAPPI runs a similar one called *Project Grow*. The partnerships were introduced to the communities to supplement fibre production for the companies. In essence, production-related risks are transferred to the individual grower while the company bears the risk of marketing. The private companies engage in a binding contract with individual farmers within the community and provide incentives such as loan advances and technical expertise. In return, the individual growers provide land and labour. This has largely been a business venture with the companies under no obligation to deliver social and economic rural development.

However, the schemes have managed to provide income generating opportunities to marginal areas with limited opportunities for creation of local employment as well as making available credit and marketing services necessary for the success of the projects. Certain individual growers, especially those with larger pieces of land have experienced substantial financial returns. As a result some of these beneficiaries have become contractors in the timber industry and are involved in other rural entrepreneurial activities (Ojwang, 1999).

As in any partnerships, weaknesses and constraints are unavoidable. Various concerns have emerged from this experience. The contract document has often been seen as a one-sided document with no input from the individual growers hence they are relegated to a position from which they are unable to negotiate timber prices as well as other terms of the contract. This exemplifies power imbalances between the contracting parties. Lack of participation in decision-making by the communities involved has had a direct impact on their relationship with the private companies. As a result, the contract document is often violated if not misunderstood and this gives rise to further conflicts and mistrust between the two parties.

Escalating dependency by individual growers on the timber companies has been another significant concern arising from the partnerships. The contract binds the grower for long periods of time commensurate with the long tree cycle as the grower is insulated from alternative markets (*ibid.*). Cash flow problems as a result of the long maturity period are major constraining factors coupled with high transport costs at harvesting. Continuous loan advances to the growers though necessary at various stages of the production cycle, have exacerbated economic dependency on the companies as the majority of growers can only pay back with proceeds at harvesting.

Community-based forest partnerships in South Africa: Apart from the contract model of partnerships, other kinds of partnerships have emerged in the sector. A community-initiated scheme involving the planting of groundnuts in Mondi's established tree plantations in Tzaneen is a good example of an unplanned integration of food crops within commercial forestry plantations. Though spontaneous and not negotiated with Mondi, this community activity which emerged in the early 1980s, was observed by Mondi for a while, and noted to pose no threat but benefits to both the community and the company. Mondi benefits in terms of reduced costs of weeding and management of the tree coppice while the community gain is economic returns from the groundnut produce which has a short rotation period. The venture has been encouraged and lessons learned applied to Mondi's other projects in Piet Retief and White River.

More recently however, attempts have been made to initiate community-based partnership schemes as opposed to contracts with individuals as is the case in KwaZulu-Natal. The North East Cape Forests (NECF) comprising Anglo American Corporation, De Beers Holdings, Industrial Development Corporation (IDC) and Mondi Limited in conjunction with the rural communities in the former Transkei, have initiated a joint venture model for the purposes of growing timber for processing within the Eastern Cape Province (Keet, 1997). The communities involved hold an equity stake based on the value of their land that is earmarked for the afforestation scheme. The land value stands at 20% of the input costs (*ibid.*) while the remaining 80% is the contribution from NECF. Proceeds will be distributed at harvesting according to the ratio of each party's inputs though communities will from time to time receive other direct benefits accruing from operation-related payments. The community's stake is quite low and calls for rural financing initiatives. Without financial grants to improve the community's equity stakes, their only opportunity for increase would be at harvesting when they could plough back the proceeds in to the project to boost their share at which time, there would be other competing demands for downstream entrepreneurial activities. The NECF recognizes the need to increase the community's ratio of inputs if empowerment goals are to be realized. As a result, the NECF is assisting in exploring other funding opportunities, which would subsequently increase the rate of benefit flow to the communities. Until the local management and economic capacities have been strengthened, NECF will continue to inject to the project, forestry and management expertise as well as funding and the operations of the project.

A significant aspect of this joint venture is the creation and application of Communal Property Association (CPA) seen as an appropriate legal instrument that has been used to define the community, who is the actual landowner. The CPA is endowed with the responsibility of mediating in the forestry project which includes among others, to take precautionary measures to prevent damage to trees, prevent use of trees for purposes not agreed upon as well as oversee the creation of other community subcommittees (*ibid.*). Involving the communities in the daily operations of the project and allocating certain decision-making responsibilities to the CPA and other subcommittees is in itself an option that could inform the development of other emerging community-based partnerships in the forestry sector.

The CPA thus has a significant representative role of the wider community because of the common land resource, no doubt, the most valuable asset in a forestry enterprise. However, it would be important to note that sharing a common resource such as land does not make a community entirely homogeneous. Various smaller groups exist within communities such as women groups and youth who have similar values and common interests that could make them more functional as a group (Ham and Theron, 1998).

This particular joint venture initiative in the Eastern Cape differs from the contract model employed in KwaZulu-Natal not only in dealing with a whole community as an entity but also in the design of the agreement document. All stakeholders jointly drew the agreement and this could be used as a sound foundation for developing a strong relationship based on a clear understanding, trust and commitment of all parties. The land in question has been used for grazing but within the first three years of tree planting, grazing in these areas will be prohibited. A few community members own livestock and the majority view of the community members within the project area is that the forestry project will benefit more members as opposed to livestock rearing (Keet, 1997). Without alternative grazing ground for the few who own livestock, the growing stock would be exposed. There is potential conflict of interest between livestock owners and those supporting afforestation. It is imperative that the whole community is mobilised to support the project and avert potential conflicts.

Certain risks could still be anticipated during the project cycle. NECF is the sole provider of funds and will bear the financial risks during the project period until harvesting time when the funds will be recovered from the proceeds. On the other hand, in the event that NECF terminates or are unable to continue with financing, the other stakeholders will be affected in terms of time and other resources that have been injected into the project during the implementation period. The model is being tried in South Africa's forestry sector for the very first time and it would be wrong to assume that it would be devoid of unanticipated obstacles.

The community is also exposed to certain risks. As it is, some of the land earmarked for afforestation has been used as grazing ground and during the early period of the crop cycle, this land will not be available for grazing. Disruption of previous uses of land is likely to breed dissent and opposition to the scheme from livestock owners and other previous individual beneficiaries. It would be inappropriate to assume that the project, though intended to benefit the whole community, would be unanimously supported. Replacing an existing activity supporting individual households and livelihoods with communal-based long-term rotational crop such as trees may not make much economic sense to poor communities whose immediate concerns are to meet their daily livelihoods. However, in the short term, benefits to the community are expected to be in the form of labour returns while the rest of the proceeds to all stakeholders are expected at harvest.

NECF Forestry JV's - The Risks

Table 1

Risks	Affected Party	Mitigated Factors
Fire	Both	Fire Protection planning, Community vigilance, insurance
Livestock damage	Both	Community pressure, JV agreement
NECF defaults	Community	JV agreement, Low risk
Community defaults	NECF	JV agreement, wide acceptance, relationships
Processor not built	Both	Mondi's other interests, small processor options
Community conflict	Both	Wide acceptance, transparency of process
Timber theft	Both	Community vigilance, NECF involvement
Poor crop	Both	NECF expertise, community care and vigilance

Adapted from Nardus du Preez, (1998) North East Cape Forests – Community Forestry Joint Ventures

Adherence to the various roles and responsibilities of both parties would minimise the risks as well as a strong relationship of both parties based on trust.

Role of actors

Different actors in partnerships have distinct roles to play. Well-defined and clear roles as well as their recognition are contributing factors to the success of partnerships. The actors have various needs, diverse information, human resources development status and knowledge (Katerere, 1999). Due to these differences, creating workable partnerships to address the needs and aspiration of all stakeholders makes it a delicate process. In this regard, governments have become more proactive in facilitating policies that are able to create situations where both the communities and the private players would fairly benefit.

The state: In South Africa, as in many countries in the world, the state is gradually withdrawing from ownership and management of the key sectors of the economy including forestry. Thus the role of the state is being redefined and confined to that of regulator and advisor. This is in recognition of the conflicting role of the state when it is the owner, marketer, regulator and advisor. Therefore, the state is looked upon to create an enabling environment that attracts private investment through establishing legal frameworks for development such as clarity in property rights, economic, political and social rights. The state also provides a regulatory framework to guide labour rights, safety, administrative laws and the provision of physical infrastructure. In new community-company partnerships, the government will act as a broker between the communities and private investors while placing a strong emphasis on sustainable livelihoods. To accomplish this role, a Forestry Development Office has already been set up in the Eastern Cape to act as a one-stop shop (coordinating with other interested government departments, the community and private sector). The state will facilitate the creation of forest partnerships between communities with suitable land and willing investors with capital and expertise. Thus the government is expected to facilitate the process of partnerships in an open and transparent way. The White Paper for Sustainable Forestry Development (1996) summarises the role of the state as follows:

- To promote equitable access
- To assess trends in the sector
- To facilitate the entry of small farmers and entrepreneurs into the industry
- To negotiate with finance companies access to industrial forestry

The private sector: The private investors major responsibility is to mobilise finance and facilitate the transfer of technical skills into the country and to local communities where they operate. The private sector is also expected to adhere and comply with the legislation and requirements regarding the sustainable use of the natural resources. Through private sector investments, employment opportunities are created and the local human resource is improved through training of local managers and skilled labour. The New Forest Policy further encourages the private sector to be agents of social and economic development in the impoverished and marginalised rural areas while integrating the local communities into mainstream economy through financing and encouraging downstream rural entrepreneurship. It is also the responsibility of the private sector to look for suitable markets and sell the commodities at competitive prices. Due to the high level of financial involvement of the private players, it is understandable that they prefer to negotiate partnerships with well-defined entities having legitimate representative structures and clear property rights.

The community: Communities may provide land, and are often the users, custodians and managers of the land-based natural resources. In the past, rural communities in South Africa have been marginalised from uses and decisions regarding local natural resources. The history of alienation, dispossession and subsequent displacements from the more favourable land bred mistrust and wariness of the communities in taking part in forestry activities. With the New Forest Policy (1996), encouraging the entry of communities into forestry as active stakeholders and the Land Reform Policy (1996) ensuring the redistribution of land, the role of the community is set to experience tremendous improvement. In the Eastern Cape for instance, the transfer of DWAF-managed woodlots to the ownership of the communities will improve outgrower opportunities as well as partnerships between the communities and the private forest sector. The land becomes the community's stake in the partnership while at the same time they benefit through the transfer of skills, employment and improved decision-making capacities.

Alternative instruments for management of communal resources

Private companies desire strong and sustained relationships with the communities adjacent to their projects. Engaging communities in deals and partnerships is a complex undertaking legally and operationally and the companies are often ill equipped to understand underlying social dynamics within communities. Notwithstanding Such constraints however, with the growing demand of wood expected to double by the year 2025, it is likely that private forest companies will continue to forge new partnerships with communities for continued supply of timber. Also, as a result of the New Forest Policy encouraging partnerships and the opening up of the sector to various private players through restructuring, certain communities will have access to land resource transferred from state ownership i.e. in the Eastern Cape. Some of these plots are suitable for afforestation and partnerships seem eminent. For workable partnerships to be established between communities and the private sector, it is necessary that more collective legal mechanisms be explored for effective representation of the community.

Other than the CPA Act that has been used as an instrument to define the community and enable them participate collectively in the NECF partnership, other mechanisms could be explored to facilitate partnerships between private companies and communities as a whole. The essence is to have a communal entity that has constitutional support that enables it to collectively enter into negotiations with private investors while enabling a secure environment for both parties. The defined community entity would also manage the flow of benefits to the larger members of the community. Therefore apart from CPA, communities could organise themselves through a **community trust** governed by a trust deed (Foy, de Beer and Pitcher, 1998). While such an arrangement is flexible and trustees and beneficiaries may often change, the trust will continue. However, there are no strict rules that guide the trust and could be prone to mismanagement and lack of transparency (*ibid.*). Such flexibility is likely to discourage some community members and even private investors who prefer to invest with minimal risks.

Other options would be for the community to form a **Section 21 Company**[2] under the companies Act "which is an association not for gain, limited by guarantee"

---

[2] The bulk of the information entailed in the section that explores the options for managing communal resource and benefits has been borrowed from Foy, de Beer and Pitcher, (1998) "

(*ibid.*). Is has a unique Memorandum and 'Articles of Association' which details its regulations and objectives. Like a Community Trust, the changes in membership do not affect its existence. However, the process of establishing a company is understood to be "complex, time consuming and expensive" (*ibid.*), and usually, the management are employees and not the owners. For communities still grappling with issues of empowerment and lacking in both technical and managerial skills, having such a Company may inhibit their participation, as they are likely to employ skills from outside their locality.

Co-operatives may also serve as an institutional option though many known Co-operatives like South Africa Wattle Growers Association (SAWGA) and the Kenya Tea Development Authority (KTDA) for instance, are made up of individual growers and not representative of a community as a block. They are democratic structures comprising of a recorded number of members with voting rights, a capital structure and methods of distribution of profit and loss (*ibid.*). Members are responsible for losses incurred. (***Jeremy, I need a second opinion here please. Do you think Co-Ops could serve as an alternative instrument of managing communal resource? As I may have indicated, they have been fairly successful in representing individual growers***)

It would also be worthwhile to explore certain **interest groups** such as women groups and youth groups within communities as the target for community-company partnerships. This is because communities comprise different interest groups who are likely to function effectively as a group because of their shared values but fail when lumped together with other members of the wider community (Ham and Theron, 1998). The functional target group could manage the project on behalf of the rest of the community. However, this calls for accountability, trust and openness with the rest of the community.

Key diverging aspects of Partnership models

Whilst it is difficult to come up with a comparative analysis of the different models of partnerships due to the range of diversities i.e. geographical, instruments and mechanisms applied, commodity, objectives and principles of parties involved e.t.c., lessons learned in one model could still be useful to emerging as well as other existing relationships. Private forest companies in South Africa are said to prefer engaging in individual contracts to communal-based ventures because it is easier and safer both legally and operationally. However, power imbalances that usually characterize individual contracts are presumed to be minimal in communal-based relationships. This is because constitutionally recognised entities like the CPA (as applied in the NECF in the Eastern Cape and in Makuleke and the Kruger National Park) or Co-Operatives[3] (KTDA, representing Tea Outgrowers in Kenya) are platforms for collective representation that if effectively used, could ensure stronger negotiation of partnerships.

In addition, through communal-based partnerships, the communities benefit not only financially but also in terms of improved decision making and managerial capacities. Social and economic empowerment of rural communities is one goal of South Africa's New Forest Policy as the private sector is encouraged to get more involved in developing areas where they operate. Empowerment has been defined as a "process whereby previously disadvantaged communities or individuals benefit from taking effective control and responsibility for the decision-making, over the assets that they own" (Foy, de Beer and Pitcher, 1998:2). This implies that benefits to the community transcend financial gain but communities retain control over assets such as land, are responsible for decisions regarding management and use of their resources (trees) and have access to value added benefits accruing from further use (processing) of their resource (*ibid.*). This would be in contrast to the mostly practiced contract partnerships where benefits are commensurate with the quality and quantity of the produce at delivery. Value addition would also enhance continuity of interest in the partnership on the part of the growers and strengthen the often-fragile relationship between the community and private investors. The inter-mediation of the government would be necessary during the partnership negotiation process to ensure a win-win situation for both parties.

National Policy Influences on the Emergence of Forestry Partnerships

South Africa's New Forest Policy commits the state to withdraw from ownership and management of forests and forestry assets (DWAF, 1996). Restructuring of the state forest assets has provided opportunities for the greater diversity of ownership of forest resources. With the sale of SAFCOL-controlled forests as well as those under DWAF, the forest sector is opening up and is expected to be more inclusive as new private players, black communities as well as emerging black business initiatives are likely to take an active part in forestry activities. The New Forest Policy provides a number of opportunities and creates an enabling environment for the timber industry, individual growers, and communities to form forestry partnerships.

The involvement and participation of black communities and emerging black business initiatives is clearly supported by the terms of the sale of the state forest assets to the private sector. The private sector has been offered 75% shareholding

[3] Unlike CPA that represents a defined community with benefit flow to the community as a whole, Co-operatives consists of voluntary individual growers and benefits accrue to the individual member.

of which 10% has been reserved for black economic empowerment entities as a further 10% is allocated to the National Empowerment fund and the remaining 15% divided between the government and the employee share ownership schemes (Business Day, 1999). This kind of affirmative action as demonstrated in the tender documents is a further indication of policy intervention in the forestry sector. The potential new private forestry players are expected to forge new partnerships with the rural communities adjacent to their operations as a way of contributing to social and economic development of the rural areas.

The National Forestry Action Programme outlines strategies for accomplishing policy initiatives as contained in The White Paper on Sustainable Forestry Development in South Africa (1996). The forest industry is recognized as being central in fostering rural economic development while remaining competitive, efficient and profitable. The New Forest Policy reiterates diversity and competitiveness, both for the purposes of consumer benefits and for creating opportunities for economic improvement especially for the previously disadvantaged communities.

The government also acknowledges the history of mistrust and suspicion between the existing forest owners and managers and the rural communities. It calls for the establishment of conflict resolution mechanisms and the accommodation of the needs and aspirations of all stakeholders to minimise conflict (*ibid.*). Land has been the source of major conflicts between the communities and forestry players and tenure insecurity has contributed to rural poverty. The on going Land Reform Programme provides legislative, financial and administrative support and is expected to resolve some of these land conflicts and enable individual families and local communities access to land that could be suitable for various activities including forestry. The black community and individuals previously dispossessed are likely to acquire more land through redistribution and engage in partnership activities.

Likewise, labour tenants are now protected under the Labour Tenants Act and those in forestry areas are assured tenure security. Tenure insecurity in state forestland and in communal areas is believed to discourage potential private investors and if not resolved, may still inhibit progress with existing and potential initiatives (Shackleton and Willis, 2000). With effective conflict resolutions in place and land redistribution, it would be worthwhile for both the communities and private companies to initiate business relationships able to realize benefits for all stakeholders.

The National Forestry Action Programme also advocate for equity sharing and joint ventures as viable mechanisms and vehicles for enabling partnerships to balance the unequal distribution of wealth, land and capital between large businesses and marginalised communities. The government's revised role in the context of restructuring, as that of regulator, advisor and broker between the private sector and the community is crucial for the success of potential partnerships and the strengthening of the existing partnerships in the forest sector. Community-Company partnerships are often characterised by power imbalances, as communities are ill equipped in knowledge of legal processes, land value, and enterprise development (Shackleton and Willis, 2000). Partnerships between communities and private companies is critical in improving the technical and managerial skills as well as decision-making capacities of communities, employment opportunities and creating an environment where all stakeholders will share in the benefits accruing from the sector. The government's role in brokering and facilitating the establishment of partnerships is vital.

Impacts of forestry partnerships

Impacts of partnerships are often unique to the model, commodity and region under study. However, there are certain crosscutting effects associated with relationships of this kind. Conversion of land to a single crop, common in partnerships has raised various social and environmental concerns. Monocropping, especially when it involves exotic crops like eucalyptus (as is the case in KwaZulu-Natal and other provinces of South Africa) have been linked to environmental risks such as increased soil exhaustion and reduced running water levels. In addition, the relatively long cycle of the timber crop makes the land unavailable for existing and other significant land uses that may be deemed appropriate. It is also understood that whenever a cash crop is introduced to a community with loans and other incentives to facilitate the process, there is usually a tendency to replace the growing of food crops. This threatens household food security and creates further indirect impacts such as increased burdens to the women (mostly in charge of provision of household food). Because it is difficult to determine opportunity costs, it is safer to diversify land use and integrate short-term income generating activities as has been encouraged by various studies on agricultural partnerships.

Most studies in partnerships have a unanimous view that partnerships open up new income generating opportunities to rural communities often marginalised and impoverished (Cellier, 1994; Arnold, 1995; Ojwang, 1999). With the provision of loans and technical incentives, the capacities of these households and communities to participate is enhanced. Yet participation and short-term financial benefits to the communities is understood to be insufficient. The need to facilitate social and economic empowerment of the participating communities is imperative if these ventures have to fulfil the requirements of the various national policies that stress on empowerment of the rural communities. This means that the communities have to take part in decisions regarding the use and management of their land and land-based resources. In addition, they should retain control over their assets, have access to value-added benefits that accrue from the processing of what they produce and gain a substantial amount of independence for their livelihood security (Foy, de Beer and Pitcher, 1998).

Redistribution of benefits from partnership activities has always been a contentious issue within households participating in partnerships (Ojwang, 1999). Understanding the distribution and effects of benefits at household level is difficult given the underlying cultural controls that endow the male members of the household with decisions pertaining to the use of benefits. Women have been understood to be the losers when it comes to these decisions regarding the flow and use of benefits yet studies indicate that they make a substantial contribution to household labour. It is presumed that the flow of benefits would be more complex at communal level if efficient redistribution mechanisms were not put in place. With significant social differentiation within communities (comprising strong and affluent as well as weak and poor members), it is possible that there would be certain risks associated with the benefit flows. Decisions regarding the use of communal proceeds from the partnerships are likely to be dominated by the more powerful members of the community thus further marginalising the poorest from decision-making activities.

To the private investor, benefits are counted in terms of easy access to commodities at reasonable costs as well as low risks and responsibilities for labour management as this rests with the participating households and communities. In South Africa, forestry partnerships with communities is understood to enhance security on the plots and reduces the risk of arson as the relationship with the communities is strengthened by their active involvement in forestry activities.

Way Forward

BOX 1
THE MAHENYE VILLAGE-ZIMSUN-CAMPFIRE PARTNERSHIP
AN EXAMPLE OF A MULTIPLE PARTNERSHIP MODEL

Mahenye Village lies along the vast sands of what becomes the Save River, adjacent to Zimbabwe's Gonarezhou National Park, one of the country's major game parks. The Mahenye people belong to the Shangaan clan of the Northern Province in South Africa. They were moved when the National Park was created in the 1960s. Because of the location i.e. near Mozambique border, the community was neglected during the Liberation War. After independence the community suffered because of the civil war in Mozambique.

The CAMPFIRE programme in Mahenye was born out of conflict between National Park authorities and the Mahenye community over ownership of wild animals. In 1891 wild animals were proclaimed the property of the Crown and the Mahenye Shangaan people were denied access to wildlife. They became classified as 'poachers" since the wildlife was no longer the property of the community. In 1966 the western bank of the Save River was incorporated in Gonarezhou National Park and the Shangaan people were evicted and their villages destroyed. A group of the Shangaan people crossed the Save River to the east and settled on what is now known as Mahenye island. This marked the creation of rebel community that continued to hunt for survival.

The conflict between the Mahenye people and the Department of National Parks and Wildlife Management over wildlife ended in the 1980s when a white farmer persuaded the Government to allow the Mahenye community a hunting quota with the proceeds going to the community. With the advent of CAMPFIRE, the Mahenye community has been earning income from consumptive wildlife utilization.

Threatened with major environmental problems such as the threat of wild animals, and siltation caused by streambank cultivation, the community, who had always prided themselves in their environment readily took up a private sector offer to go into partnership in their conservation war. They also realized that there was an opportunity to make money for themselves through non-consumptive safaris. These partners came in the form of the Zimbabwe Sun (Zimsun) Hotels and the Communal Areas Management Programme for Indigenous Resources (CAMPFIRE). The new development of non-consumptive opportunities are enhanced by the Mahenye's proximity to Gonarezhou National Park and Mahenye Island which has riverine forest of great aesthetic and botanical interest.

The hotel group set up lodges, Mahenye Safari Lodge and Chilo. The two lodges have a total capacity of 40 beds. The community in 1998 raised Z$448 000 from hunting and Z$590 000 from photography. It also received Z$430 000 from Zimsun as part of its annual share from tourist occupancy. A total of 880 households received Z$640 each. So far Z$340 000 has been raised to build Mahenye's first secondary school. (1US$ =Z$38.00 as of November, 1999).

Through funds generated from the Safari Lodge, the community ha extended the power line from Chilo Gorge to Mahenye Business Centre leading to the electrification of the clinic and the community run grinding mill.

Mahenye ward also received a donation from GTZ for the installation of a pump and pipeline to the Mahenye Wilderness area. GTZ also provided funds for the proposed Mahenye Ward irrigation scheme feasibility study. More than half of the households in Mahenye ward are engaged in reed mats making. This is an important household economic activity. The reed mats are transported by bus to urban markets in Zimbabwe.

Adapted from Katerere, Y (1999) In Search of Partnerships for Prosperity

BOX 2

THE MAKULEKE AND THE KRUGER NATIONAL PARK. AN EMERGING COMMUNITY, PRIVATE PUBLIC PARTNERSHIP

The Makuleke Land Claim is one of a handful of restitution cases in South Africa that have been settled in terms of South Africa's new land reform programme. This settlement was achieved through negotiation rather than by judgement of the Land Claims court.

The claim thus involves a win-win situation in which the Makuleke people regain formal title to some 20 000 ha of land in the Pafuri region of the Kruger National Park and, at the same time, commit this land - plus an extra 5000 ha of restored communal land on the border of the park - to remain inside Kruger. As indicted above, the Makulekes aim to use nature tourism and their right to commercialise their part of the park - both in a consumptive and a non-consumptive way - as the main vehicle for development, economic growth and job creation.

The Makuleke restitution case creates a common property regime over a prime piece of South African wilderness (one with so many species of trees, plants, birds, insects, fish and mammals that is said to contain some two thirds of the Kruger Park's biodiversity). Collective ownership of this land and its rich arrangement of natural resource is formally held by the Makuleke Communal Property Association. And now the CPA is planning to establish another system - one that sits side by side with their common property regime and articulates with it in a number of ways that is essentially capitalist at its core in that it involves relations between lodge development and operating companies (which the Makuleke collective will have shares in) and workes (who will come from the Makuleke settlements).

The agreement between the Makuleke and the South African National Parks stipulates that:

- SA National Parks returns ownership and title to the Makuleke people of some 24 000 ha of land between the Luvhuvu and Lipmopo rivers.
- The Makulekes in return, guarantee to use the land in a way that is compatible with the protection of wildlife and not to occupy it or farm or undertake any activities such as mining that would undermine the conservation objectives of the park. Also add another 5000 ha of restitution land outside the current reserve borders to the park.
- The Makulekes have full rights to commercialise their land by entering into partnerships with private interests to build and operate game lodges as long as these are consistent with the wildlife managementt policies of the Joint Management Board (JMB) set up in terms of the SANP.
- The JMB is made up of representatives from the Makuleke villages and the conservation agency to govern the way in which the wildlife of the area is protected. This institution is being designed in such a way that residents can be trained to take over many of the conservation functions over time.

The Makuleke CPA in close association with its technical advisers and in negotiation with senior officials in the Kruger National Park, is in the advanced stages of completing a lodge development plan for the Makuleke region of the Kruger National Park.

The plan envisages the eventual development of seven lodges at key identified sites in partnership with professional operators from the private sector as well as possible hunting concession based on a limited quota of trophy animals that occur in Makuleke area. Feasibility studies conducted for the CPA indicate that these industries will generate revenues and jobs for the community far in excess of other forms of land uses.

Adapted from: Koch, E and John Massyn, P (1999) Challenging Eden: From Rhetoric to Action in Community Public Private Partnerships

BOX 3: MADIKWE GAME RESERVE

Madikwe is an early initiative in state-private-community partnership in conservation and woodland management in South Africa. The park, of 75 000 ha, was established by the North West Park Board in 1991 under the former homeland of Bophuthatswana. It is located on previous white farm land that had been incorporated into Bophuthatswana and redistributed to emerging black cattle farmers. Degradation of this state land resulted in the Bophuthatswana governmnet commissioning a study to assess potential alternative land use options. The development of a wildlife tourism initiative was determined to be the most economically viable and equitable land use with the greatest potential for job creation. Following this, the development of Madikwe moved ahead rapidly. Game were introduced and basic infrastructure established. The management structure consisted of a tripartite "equal" partnership between the parks board (state and land owner), private sector (investor) and the three local communities (major beneficiaries). However, the speed of

BOX 4

The Northern KwaZulu-Natal (SDI area) covers the three magisterial districts of Ingwavuma, Ubombo and Hlabisa. Here demand for infrastructure such as water, roads and electricity exceeds supply In an area of 12 268 km2 approximately is tarred.

The Lumbombo SDI – which focuses on northern KwaZulu-Natal, southern Mozambique and eastern Swaziland – is the governments main tool for addressing the social and economic problems in this regions of the country. The SDI will do this byy improving infrastructure, creating a stable climate for economic growth and by creating opportunities for investment in sectors where the region can compete with similar indsutries around the world mainly in agriculture and tourism. However, a number of critical problems such as insecure land tenure, over-regulation and a lack of capacity at some levels of local government need to be addressed before the programme can deliver tangible results.

For the SDI to succees, local communities, government at national, provincial and local level will need to co-operate. The aims of the Lubombo SDI are to:

- Promote public sector investment in improvements to the regions infrastructure, mainly by improving transport corridors. A new road linking Hluhluwe to Maputo is being built. Improvement to the N2 between South Africa, Swaziland and Mozambique are being made.
- Establish a small business support programme with relevant agencies that will allow local residents to take up opportunities for new commercial activity along the transport corridor.
- Create an attractive and stable climate for investors in whish to operate. Transnational protocols and multinational programmes, improved borderposts, cuebs on malaria, crossborder conservation and a regional tourism marketing campaign is in process.
- Develop and support a transnational malaria control programme with relevant agencies that will extend health services, local capacity building and job creation.
- Prepare and package opportunities for private sector investment in tourism and agriculture. A number of nodes that have the potential for high-level growth have been identified.
- Broaden ownership patterns in the regional economy. Create opportunities and support structures for new small businesses and encourage outside investors to form joint ventures with local entrepreneurs and communities.
- Negotiate with institutions to secure affordable loans for local communities to take up shares in such joint venture. The SDI has a programme to negotiate with local communities so that the most appropriate empowerment frameworks for each investment can be identified.
- Build an internationally copmetetive regional economy.

Inorder to facilitate direct community involvement in the tourism investment process, government is investigating with it's social partners a fund that will make low-interes capital available for local communities to enter into joint –venture investments with the private sector.

Adapted from <u>Lubombo Spatial Development Initiative:</u> Growth for Jobs
Compiled by Libby Dreyer and others

OUTSOURCING AND CONTRACTING IN SOUTH AFRICAN FORESTRY: A REVIEW OF THE ISSUES AND OPTIONS

Background

The study will involve a survey of stakeholder opinion about the situation and trends in outsourcing and contracting[1], and the development of a set of case studies of contractors and their relationships with the major forestry companies and other stakeholders. The study will then be completed by drawing on these profiles of stakeholder opinion and contractor practice to prepare a short review of the situation, the key issues and the options for ways forward.

The trend towards use of contractors rather than a permanent workforce in the forest industry is increasing. For example, in 1989 contractors comprised 19% of the main forestry companies' labour force for harvesting. By 1997 this figure had reached 64%. Other operations – such as transport, silviculture, social and ancillary services (e.g. clinics) – are also being contracted out. There are positive and negative aspects – winners and losers – in this trend, which need better understanding. Contracting is also an incipient issue in relation to the new forestry players emerging on the scene in response to market pressures and opportunities, the leasing of government forest assets to the private sector, and the transfer of some government held assets to communities. In the latter case, for example, will communities soon be paying for the services of contractors as well as large forestry companies?

Objective

To understand the trends, issues and impacts of contracted-out operations in the forest sector and to develop options for improving the social, environmental and economic sustainability of forestry operations carried out by contractors.

Key questions and issues to consider

Contexts and trends

1. What contextual factors explain the trend towards increased contracting and outsourcing in forestry? Factors to consider include:

- Macro-economic and market trends, and political imperatives
- Corporate private sector forestry moving to reduce social risk / "hassle" factors

---

[1] 'Outsourcing' and 'contracting' are generally used here interchangeably to refer to the process of getting work undertaken by companies or individuals on fixed-term contract, rather than full employment. Outsourcing implies that the person or company contracted is fully independent of the contracting party, whereas contracting may refer to situations where the contractor is independent or partially dependent on, or restricted by, the contracting party for certain services, benefits or decisions.

- New labour legislation[2]
- Forest restructuring - leasing government forest land to the private sector
- Transfer to communities of government (DWAF) 'category C' woodlots and some 'category B' plantations
- National forest policy - changing government policy to encourage private sector involvement in sustainable forest management, and variable capacity of government to implement policy and play active roles
- Corporate changes/responses to government moves – repositioning within the private sector to keep/access markets
- The nature of plantation forestry and trends within it (e.g. greater mechanisation) – the ease/difficulty of contracting out specific operations compared to other types of forestry and other sectors
- Emergence of new private sector players related to all of the above trends/factors

2. How do trends towards contracting in the forest sector compare with trends in other sectors?
3. How do the forest sector trends affect other sectors and *vice versa*?

Actors and relationships.

4. What are the experiences and perspectives of key actors on outsourcing and contracting? Actor groups to cover include:

- Corporations: Mondi Forests, Sappi Forests and other members of the Forest Owners Association
- Private farmers: growers of members of SATGA and SAWGU
- Contractors: from large enterprises to individuals
- Small-growers: small-holder farmers growing trees either within a structured out-grower scheme or independently
- Communities in areas where forestry and contracting is an issue, or may become an issue
- Government: forest agencies, labour agencies, local government
- NGOs: environmental and social researchers and activists

5. How do the actors relate to each other and, in particular, what are the strengths and weaknesses of the relationships between contractors and clients, and between contractors and the other stakeholders?

Tasks and responsibilities carried out by contractors

6. What are contractors doing – what tasks are being contracted out, and what forestry tasks are not being contracted out, and why?
7. What is the balance of rights, liabilities and responsibilities between contractors and clients?
8. What are the mechanisms, agreements and contracts involved and how do they work?

Impacts, winners and losers

9. What commitments have been made by corporate companies to manage the shift to using contractors (e.g. principles/standards for engagement with contractors;

---

[2] For example: Labour Relations Act 1995, Basic Conditions of Employment Act 1998, Employment Equity Act 1998, Occupational Health and Safety Act 1993, Compensation for Occupational Injuries and Diseases Act 1993, Skills Development Act 1998, Labour Relations Amendment Act 1998, Labour Tenants Act and Extension of Security of Tenure Act

programmes of support; audit and certification against standards), and how are these being put into practice?

10. What are the positive and negative environmental impacts of contracting out?
11. What are the negative social and economic impacts of contracting out for contractors, clients and other stakeholders? (For contractors these may include: availability of jobs in contracting for retrenched corporate employees; wage levels, benefits and working conditions in contracting, health and safety risks)
12. What are the positive social and economic impacts of contracting out for contractors, clients and other stakeholders?
13. How does increased outsourcing affect the overall scope and distribution of benefits from forest industry?
14. How has the trend towards use of contract labour affected trade union membership and effectiveness?
15. How are new labour laws and pressures (e.g. for minimum wage levels) affecting the viability of contracting enterprises?

Best bet options - ways forward

16. What are the best bet options – the most appropriate tasks, principles and practices - for better outsourcing and contracting?
17. How can the processes of outsourcing and contracting be made to contribute to the objective of empowering the previously disadvantaged as well as improving corporate/company efficiency?
18. What next steps can be proposed to improve the current situation?

Activities and responsibilities

1. Unearth and synthesise existing material (including some interviews already carried out)

2. Decide on who to interview (to include company personnel, contractors, those affected by contracting, and those with specific knowledge/experience of contracting) and which areas/contractors to focus on for case studies

3. Conduct a survey on contracting, conduct stakeholder interviews and profile stakeholder opinion on contracting issues

4. Conduct case studies and profile contracting in practice. Case studies should include contractors working with the following actors in the forestry sector:

- Corporate – Sappi, Mondi and Forest Owners Association members
  - Non-corporate private growers – SATGA and SAWGU
  - 'New players' – e.g. short-listed or successful bidders for the restructured government forests, and other newly emerging forestry companies
  - Government – remaining state-held forests

5. Draw on all the above to prepare a short review of the situation, the key issues, the best bet options (including principles) and the proposed next steps (for debate with companies, contractors and government agencies).

Responsibilities

Responsibilities divide in three ways:

- Consultant 1: Lead on all activities and full responsibility for contractor case studies, local stakeholder opinion and first author of reports [Meshack Khosa].
- Consultant 2: Contribute to activities 1,2,3 and 5, and full responsibility for company opinion and second author of reports [Jeremy Evans]
- Key issues and questions for contracting raised in parallel studies on certification [Dave Scott, Jeanette Clarke and Johan Hamann] and partnerships [Jeff Zingel, Rob Cairns and Jeremy Evans] will need to be considered in the report

Reporting and timeframe

A short interim findings report will be produced by 17 March 2000.

A final report – including stakeholder profiles and contractor case studies - will be delivered not later than 14 April 2000.

SMALL-SCALE SAWMILLING IN SOUTH AFRICAN FORESTRY: A REVIEW OF THE ISSUES AND OPTIONS

Background

The study will involve a survey of small-scale sawmillers and the development of a set of case studies of small sawmilling operators and their relationships with the major forestry companies, their immediate markets and other stakeholders. The study will then be completed by drawing on these case study profiles to prepare a short review of the situation, the key issues and the options for ways forward.

Small-scale sawmilling operations, concentrated mainly in the Eastern Cape, remain an under-researched component of the broader forestry sector in South Africa. While it is estimated that there are approximately 150 small sawmillers in South Africa[3], there is very limited aggregate information on the size of the timber resource on which small millers depend, the numbers of people benefiting from employment in the sub-sector, and the profitability of small-scale sawmilling operations. Current business practices, opportunities and constraints affecting small sawmilling enterprises must be better understood.

There appears to be a trend of small sawmillers processing larger volumes of timber, and in so doing, taking advantage of the fact that larger mills are experiencing a decrease in volumes of timber processed. The moves by the South African Lumber Millers Association to bring small sawmillers on board is perhaps an indication of the important role that small-scale sawmillers may increasingly be playing.

---

[3] Personal Communciation, department of Water Affairs and Forestry, 16 February 2000

In a recent study[4], small wood processors reflected that, in contrast to large-scale processors' objectives of increasing the size of their operations, small processors were interested in maintaining continued access to a steady supply of timber to ensure the sustainability of their enterprises in an environment that, to them, is becoming increasingly threatening as new private sector players move in. To small millers, the process of restructuring of DWAF-owned plantations, and the future of community woodlots were raised as issues of more immediate importance and concern than new afforestation and the opportunities that this may afford the sub-sector. Given that the licences that many small millers have to process wood from DWAF's plantations will expire in a year's time, it may be timeous to examine opportunities arising for this sub-sector from the restructuring process, especially with regard to the B-category plantations.

Small-scale sawmillers have not come together under a single representative body which could bargain in the interests of members, in terms of negotiating not only timber access rights but also new market opportunities and pricing structures. Representation which does exist appears to be poorly understood at a national level in terms of its ability not only to act as a channel for voicing small millers' concerns but also to ensure sector-wide compliance with minimum labour standards and other related legislative requirements.

Notwithstanding some lobbying taking place on behalf of small sawmillers (which has impacted on the process of leasing out some A-category plantations), a core concern is that of how many small sawmillers can be reasonably accommodated within the South African forestry sector. More pertinently, how many existing and new business opportunities are there in which small sawmillers can engage?

In the context of the present forest restructuring process, there are potentially both positive and negative aspects – winners and losers – in the small sawmilling sub-sector, which need better understanding. The question of the sustainability of the small sawmilling sub-sector as it presently exists needs to be balanced against consideration of new opportunities in which actors in the sector may engage.

Objective

To understand the context surrounding the present state and nature of small sawmilling; to analyse trends and issues affecting small-scale sawmilling operations in the forest sector, with a focus on the Eastern Cape; to understand the social, environmental and economic sustainability of small-scale sawmilling operations; to investigate current and new opportunities for small sawmillers arising from the forest restrucuring process.

Key questions and issues to consider

Contexts and trends

1. What contextual factors over time can explain the current state and nature of small-scale sawmilling as a forest sub-sector in South Africa? Factors to consider include:

---

[4] J Evans and S Shackleton, 1998, "Objectives and differing perspectives from the afforestation of communally-owned land" *in* Proceedings of a consultative meeting on principles for forestry development on communally-owned land. Held at Mpekweni, Port Alfred. Department of Water Affairs and Forestry.

- Macro-economic and market trends, and political imperatives
- The responsiveness of the small sawmilling sector to industry cycles
- The impacts on small sawmilling of past and existing legislation and other instruments affecting pricing (e.g. timber marketing agreements)
- Corporate private sector forestry moving to reduce social risk / "hassle" factors
- New labour legislation[5]
- Forest restructuring - leasing government forest land to the private sector
- Transfer to communities of government (DWAF) 'category C' woodlots and some 'category B' plantations
- National forest policy – Previous legislation and new government policy to encourage private sector involvement in sustainable forest management, and variable capacity of government to implement policy and play active roles
- Corporate changes/responses to government moves – repositioning within the private sector to keep/access markets
- The nature of timber processing and trends within it (e.g. ability to ensure constant levels of throughput in mills)
- Emergence of new private sector players related to all of the above trends/factors

Actors and relationships.

19. What are the experiences and perspectives of key actors on small-scale sawmilling? Actor groups to cover include:

- Corporates: Mondi Forests, Sappi Forests, SAFCOL and other members of the Forest Owners Association
- Private farmers
- Small-scale sawmillers: from enterprises to individuals
- Small-growers: small-holder farmers growing trees either within a structured out-grower scheme or independently
- Markets – individual buyers, shops, value-addition enterprises
- Communities in areas where forestry and local-level processing is an issue, or may become an issue
- Government: forest agencies, labour agencies, local government
- NGOs: environmental and social researchers and activists
- Government: Chief Directorate: Forestry (including commercial forestry, community forestry and others?)

20. How do the actors relate to each other and, in particular, what are the strengths and weaknesses of the relationships between small sawmillers and timber providers, and between small sawmillers and the other stakeholders?

Tasks and responsibilities carried out by small sawmillers

21. What are small sawmillers doing – what tasks are being conducted, under what conditions (e.g. licenses, formal and informal sale agreements and others)?
22. What is the balance of rights, liabilities and responsibilities between sawmillers, timber providers and markets to which processed timber is sold?

---

[5] For example: Labour Relations Act 1995, Basic Conditions of Employment Act 1998, Employment Equity Act 1998, Occupational Health and Safety Act 1993, Compensation for Occupational Injuries and Diseases Act 1993, Skills Development Act 1998, Labour Relations Amendment Act 1998, Labour Tenants Act and Extension of Security of Tenure Act

23. What are the different mechanisms, agreements and contracts between stakeholders involved and how do they work? Are they enforceable in a practical sense? How are guarantees maintained? What recourse is available in the event of breaches of agreements?

Impacts, winners and losers

24. What commitments have been made by forest growers and market clients towards allowing continued access to timber and purchase of processed products? What is the nature of these products?
25. What are the positive and negative environmental impacts of small sawmilling operations?
26. What are the positive and negative social and economic consequences of small sawmilling operations, from the side of small sawmillers, market clients, plantation owners and other stakeholders? (For sawmillers these may include: availability of jobs in engaging corporate employees; wage levels, benefits and working conditions, health and safety risks and others)
27. How does the trend in small sawmillers processing increasing volumes of timber affect the overall scope and distribution of benefits from forest industry?
28. How are small sawmillers organised (e.g. associations, unions etc), how effectively are small sawmillers' issues and concerns?
29. How are new labour laws and pressures (e.g. for minimum wage levels) affecting the viability of small sawmilling operations?

Best bet options - ways forward

30. What are the new enterprise opportunities that small sawmillers may engage in – joint ventures, increased opportunities for or involvement in forest management, new and potential markets? Can the small sawmilling sub-sector expand in its present form? What are the risks involved in this?
31. How can small-scale sawmilling contribute to the objective of empowering the previously disadvantaged as well as improving corporate/company efficiency?
32. What next steps can be proposed to improve the current situation?

Activities and responsibilities

1. Unearth and synthesise existing material

2. Decide on who to interview (to include company personnel, small sawmillers, market clients and which small sawmillers to focus on for case studies

3. Conduct stakeholder interviews and profile stakeholder opinion on sawmilling issues

4. Provide a typology for the small-scale sawmilling sector and conduct case studies profiling small sawmilling in practice. Case studies should include small sawmillers working with the following actors in the forestry sector:

- Corporates – Sappi, Mondi, SAFCOL and Forest Owners Association members
- Non-corporate private growers
- 'New players' – e.g. short-listed or successful bidders for the restructured government forests, and other newly emerging forestry companies
- Government – remaining state-held forests

Case studies will be conducted in two specific areas in the Eastern Cape - the Katberg complex and Nomadamba/Cofimvaba.

5. Draw on all the above to prepare a short review of the situation, the key issues, the best bet options (including principles) and the proposed next steps (for debate with companies, small sawmillers and government agencies).

Responsibilities

Responsibilities divide in three ways:

- Consultant 1: Lead on all activities and final responsibility for 1, 2, 4 and 5 [Louis Heyl - proposed].
- Consultant 2: Assistance with 2 and responsibility for 3 [Juana Horn –proposed
- Consultant 3: Assistance with integration with Consultant 1 [Jeremy Evans]

Reporting and timeframe

A short (about 10-20 pages) interim findings report will be produced by 30 March 2000.

A final report – including stakeholder profiles and contractor case studies - will be between 20 and 40 pages and will be delivered not later than 14 April 2000.

STUDY OF COMPANY-COMMUNITY PARTNERSHIPS IN PRIVATE SECTOR FORESTRY

Background

Partnerships between communities, government and forestry companies have existed in South Africa in various forms, the most visible of which to date have been the commercially-focused outgrower schemes operating in KwaZulu-Natal, followed more recently by state-sponsored efforts towards building joint forest management relationships around managing natural forest resources in the Eastern Cape and elsewhere. Private companies have recently started to explore new forms of partnerships in collaboration with communities. The State is also exploring a new brokerage role in facilitating partnerships between communities and other actors in developing small-scale enterprises Thinking around different types of partnerships has been recently spurred to some extent by potential opportunities afforded through the state forest restructuring process. The broad objectives of new individual partnerships may vary, and the roles that participant actors assume towards achieving different sets of objectives within partnership relations need to be understood.

Objective

To understand key issues in the evolution on new forms of partnership between private companies and communities in forest management, their operation in the context of empowerment and redistribution processes, and the lessons that can be learned for forestry from other related sectors in South Africa.

Activities

1. Prepare situation analysis. Review existing information on past, extant and emerging deals between companies and communities (the best of them- "partnerships") in forestry and other sectors. Provide an overview of the context provided by the state forest restructuring process (category B and C forests in particular) and emerging strategies for economic development. Review other initiatives being undertaken by government and private sector player which could influence the emergence and nature of partnerships in forestry.

Conduct interviews of key stakeholders and field verification, and prepare case studies of partnerships. These case studies should include, but not limited to:

- 1.1 Taungya agroforestry schemes (HL&H – Tzaneen, White River, Piet Retief).
- 1.2 North East Cape Forestry joint venture schemes (Eastern Cape)
- 1.3 Singisi Forests and other partnership models being examined or implemented by communities and companies within the context of the state forest restructuring process.
- 1.4 Umzimkulu and Lambasi, and other new outgrower schemes in the Eastern Cape, in the context of trends experienced in outgrower schemes elsewhere (see outgrower TORs).
- 1.5 The devolution of woodlots to communities in the Eastern Cape and opportunities for partnerships in growing and processing.
- 1.6 Partnership issues between the State and communities in conservation management and entrepreneurial development.

2. Prepare an overview report. This should comprise: situation analysis – revised through findings of case studies; summaries of case studies; analysis of key issues from situation analysis and case studies; best bet options to pursue in future; next steps which should be taken.

Key questions and issues to consider

To be used as a checklist for each case study and a guide for framing the overview report.

Context and trends

What contextual factors explain the emergence of partnership schemes in forestry? Factors to consider include:

- macro- economic and market trends, and political imperatives
- Corporate private sector forestry moving to reduce social risk / "hassle" factors
- The influence of legislation on land and labour.
- The opportunities for partnerships provided by the forest restructuring process.

- The influence of National Forest Policy – changing government policy to encourage private sector involvement in sustainable forest management, and variable capacity of government to implement policy and play active roles
- Corporate changes /responses to government moves – repositioning within the private sector to keep/access markets.
- The nature of plantation forestry and trends within it (e.g. greater mechanization) and how this affects corporate strategies on ownership of land, control of labour, and the move towards outgrowing.

How do trends in the emergence of company –community partnership in forestry compare with trend in other sectors? What lessons can be learned from other sectors for partnerships between corporate players and communities in Forestry?

Actors and relationships.

What are the experience and perspectives of key actors on partnerships? Actor groups to cover include:

- Companies and corporate associations: Mondi Forests, Sappi Forests, Hans Merensky, African Forestry Consortium (with Sappi in the context of the forest restructuring process), members of the forest Owners Association.
- Communities in areas where partnerships in Forestry have been undertaken and /or explored, or where these may become an issue as a consequence of the state forest restructuring process ("communities" are here thought of as people with common interests who form some sort of group at local level…)
- Government: including the Chief Directorate: Forestry within DWAF, the new Forestry Enterprise and Development Office, the Restructuring Office within DWAF, Department of Land Affairs (national and provincial representation), Eastern Cape Department of Economic Affairs and Tourism, local government agencies,
- Non- governmental organizations an independent consultancies, covering environmental and social researchers and lobbyists.
- Small-scale enterprise…
- Individuals at community level who are not in "communities" (may include small-holders, marginalized people, or large land holders)…

How do the actors relate to each other and, in particular, what are the strengths and weaknesses of the different types of partnership models that have been undertaken to date? How do proposed partnership approaches differ from past approaches and build on lessons learned from experience?

Instruments, contracts and agreements

3. What mechanisms have been and will possibly be used in cementing forestry – based partnerships between companies and communities (e.g. Joint Venture approaches, share equity schemes, legal entities [Communal Property Associations, Section 21 companies, Trust etc).
4. What were the processes undertaken to reach decisions regarding which sorts of mechanisms would be the most appropriate for creating viable partnerships? What kind of operational and contextual factors influenced these decisions from the perspective of the Key Actors involved?

5. What are the perceptions of different Key Actors (corporate, community, government and others) on the success of processes undertaken to reach agreement on partnership models, in terms of
   - All involved actors sharing an equal understanding of each other's motivations for entering into partnerships and understanding of the distribution of benefits resulting from entering into partnerships
   - Involved actors having a shared understanding of their own and other parties' exposure to various types of social, economic and environmental risk as a result of entering into the agreements underpinning the partnerships
   - Exploring partnerships that are not solely focused on forestry, and the reasons for deciding for or against these alternatives
   - Involvement of different bodies and organizations in the brokering of agreements, leading to greater awareness of alternative instruments and mechanisms available, as well as identifying gaps in knowledge and expertise on the side of the parties involved in the agreements?

Rights, responsibilities and dynamics.

6. What is the balance of rights, liabilities and responsibilities between communities and companies within the framework of existing partnerships?
7. In terms of partnerships envisaged as a result of the state forest restructuring process, how do these differ to existing/already attempted partnership models in terms of how rights, liabilities and responsibilities are to be allocated between companies, communities and other actors?
8. What responsibilities can be or are being adopted by bodies outside of the immediate communities and companies involved in the creation of new partnerships (e.g. Involvement in government in brokering and facilitating partnerships)
9. What are the perceptions of different actors on the degree to which allocations of rights and responsibilities between parties are both realistic and fair?

Impacts, winners and losers: communities, companies and other role-players

10. What communities have been made by companies to support partnerships with communities (e.g. principles/standards for engagement with communities; programmes of support and extension; loans; certification), and how will/are these being put into practice?
11. What are the positive and negative environmental impacts of partnerships from the perspective of both the companies and the communities involved?
12. What are the positive and negative social and economic impacts of partnerships on the parties involved? These include, for example, communities neighbouring those which are involved in partnerships, forestry workers who have been redeployed or who have taken severance packages, land rights disputes and settlements, effectiveness of dispute resolution mechanisms protecting the interests and rights of companies and communities, etc.
13. How do partnerships affect the overall scope and distribution of benefits from forest industry? To what extent do they contribute towards the objectives of empowerment and redistribution.

Best bet options – ways forward

14. What are the best bet options (the most appropriate tasks, principles and practices) for better community –company partnerships?

15. How can partnerships be made to contribute to the objective of empowering the previously disadvantaged as well as improving corporate/company efficiency?
16. What next steps can be proposed to improve the current situation?

Responsibilities

Responsibilities divide in three ways:

- Consultant 1: Lead on all activities and full responsibility for integration of results from partnership case studies, local stakeholder opinion and first author of reports [Jeremy Evans].

- Consultant 2: Compile case studies on woodlot devolution processes (examining management and partnership arrangements in conservation, commercial and subsistence woodlots), new company-community partnership arrangements in the forest restructuring process (Singisi Forests) and opportunities and constraints affecting potential partnerships in forest conservation management (Dwesa/Cwebe) in the Eastern Cape [Christo Fabricius - Rhodes University]

- Consultant 3: Compile case studies on new entrepreneurial development opportunities and partnership models as part of management options for woodlot and natural forest conservation management (Manubi, Kentani, Flagstaff/Bizana) [Cori Ham – University of Stellenbosch]

- [Consultant 4: Compile case study of new forms of partnerships in the context of the expansion of new outgrower schemes in the Eastern cape – Lambasi/Umzimkulu – see Outgrower TOR – to be identified]

Reporting and timeframe

A short (about 20-30 pages) interim findings report will be produced by 28 April 2000.

A final synthesized report will be between 30 and 50 pages and will be delivered not later than 9 June 2000.