

1. Introduction

Over the past fifteen years there has been a strong attempt to develop a progressive agenda in international forestry policy and research. In particular there have been efforts to move beyond the biophysical elements of sustainability and to integrate the needs of communities in our understanding of sustainable forest management. Social scientists have become more active in the field and there is greater collaboration between natural and social scientists in forestry research. Many organisations have sought to promote the interests of poor and indigenous communities, in particular those who are directly dependent on forests. In this way, a more progressive agenda has emerged.

And yet, our successes have been limited. Over the past ten years, the rate of deforestation has slowed overall, but nonetheless proceeds at an alarming rate, particularly in tropical areas and in developing countries. The plight of poor, forest dependent communities is, on the whole, little improved and a great deal worse in certain areas. Government policies have improved in some respects, but often seem to have little impact on the ground. In general the international debates seem tired. The issues that are mostly undertaken in international discussions are now well known, and there is limited generation of new ideas. Of course it is important to consolidate issues, and most importantly, to implement policy. But perhaps it is also time to begin looking at a new generation of debates, and in particular at new ways of understanding how forests could and should serve the process of sustainable development. We hope to contribute to that process by discussing aspects of South Africa's forestry experience.

In particular we are interested in a set of discussions regarding the role of forestry in economic development. Until now much of the emphasis of pro-poor forestry work has been on how communities use forests to support their subsistence needs. The notion of 'community forestry' has come to be associated with micro-level interventions and with forestry's marginal contribution to household subsistence. There has been little interest in more ambitious concepts such as the payment of rent to forest communities for the use of forest land, or their participation in the ownership of companies that have rights to exploit forest resources. This may well be as a result of the concern that if forest communities participate in the economic benefits of forest use, then they will no longer oppose unsustainable use of the forest. If this is indeed the case, all the more reason to highlight cases where community involvement in forestry businesses (itself a potential contribution to social and economic sustainability) is coupled with improved ecological sustainability.

2. Economic development and sustainability

Over the last several years it has become clear that sustainability stands on three legs – ecological, social and economic. This has been recognised in concepts such as the notion of 'sustainable livelihoods' that has gained currency among a number of development agencies in recent years. And yet international debates in forestry seem to focus mostly on ecological and social factors. The dynamics of economic development, and their relationship to ecological and social needs, are not well understood.

The forest sector can play a role in helping a developing country to progress on its development path. It can do this by creating a platform for trade and manufacturing and in this way expanding the economic base. Indeed forestry has played this role for many countries that now have developed economies. In countries like Canada and Sweden, forestry kick-started industrialisation and created a platform for diversification into other industries. As these countries moved up the development path, so forestry's relative importance decreased. At the same time the forestry sector tended to move up the value chain, supplying more processed forest products and fewer commodities.

There are many developing countries where forestry plays a major economic role, and a number where the forest sector has unmet potential. It is important to understand how the forest sector can help to create a platform for economic growth and development. Along with other industries forestry can create jobs and income opportunities, contribute to a tax base and help

develop trade links. However the fact of economic expansion is not enough. The type of development is crucial. Under certain circumstances, forestry can lead to an equitable type of development – that is a development path that spreads benefits widely and provides particular opportunities for the poor. But other circumstances (and policy choices) would lead to economic growth that is inequitable and creates only short-term profits without the long-term multipliers so crucial to sustained economic development. It is also likely that the circumstances that would lead to inequitable and short term economic development are also likely to lead to a lack of sustainability from an ecological point of view.

In thinking about the role of forestry in sustainable development, we intend to focus on two main aspects – the potential contribution of the forestry sector to national economic development, and the role of forestry in creating economic opportunity at the local level.

3. Forestry and economic development in South Africa

3.1 Forestry's contribution to macro level development and to industrialisation

The development of forestry in South Africa arose out of colonial development strategies. What is peculiar about South African development's history however is that economic development strategies were specifically designed to benefit one racial group exclusively from the rest of the country's population, particularly between the 1950s and the 1990s. The present development strategies, under the present democratic government, therefore are specifically intended to achieve equity.

South Africa's economic history is rooted in colonialism and apartheid. Our forestry history is rooted in the fact that we have a very small area of natural forest. Current estimates of the extent of South Africa's closed canopy indigenous forests are approximately 500,000 ha or only 0.3% of the total surface area of 122 million hectares. These forests are located in a band along the eastern and southern coastline of the country and in certain mountain regions. Although the area of closed canopy forest has seen significant reduction in forest area since the onset of colonialism, the original size of the resource was probably always very small, probably no more than one percent of the land area. There is however an extensive region of woodland, currently estimated to cover approximately 23 million ha, or 19% of total land area, located mainly in the north and east.

However, what distinguishes South Africa as a forestry nation is probably neither closed forest or woodland, but rather plantation forest. South Africa presently has a commercial plantation estate of approximately 1.5 million ha or 1.2% of the total land area. Despite its relatively small size, South Africa currently produces 2.8 million tons of pulp or 1.63% of global supply, 2.1 million tons of paper or 0.76% of global supply, and 1.3 million m³ of sawn timber or 0.3% of world supply. The forest and forest products industry employs over 200,000 people, of which about half work in production forestry and half in wood processing industries. In the period 1980-2000 round wood production increased from 12 million cubic meters to almost 19 million cubic meters with an expansion in afforested area of 30% over the same period. In terms of South Africa's GDP, the forestry and associated processing industries generate 4.5% of the country's GDP.

What is remarkable about this is that a hundred years ago, South Africa had no practically no plantation forests. The first attempts at planting forests were made by the colonial authorities at the Cape in the 1880s. As the small settlements at the Cape began to grow, so timber became a scarce resource. Forests were exploited along the coast, and colonial authorities soon became concerned that the rate of exploitation. They therefore implemented twin strategies – to appoint Conservators of Forests at various stations within the small naturally forested areas, and to create plantations wherever conditions seemed appropriate. This continued at a steady pace and accelerated after the first world war when it became clear that any continued reliance on timber imports was risky. At this stage, the plantation programme moved beyond pine, which was used mostly for building purposes, and included more and more eucalyptus trees which were used as supports in the burgeoning mining industry.

The plantation programme gained further momentum in the late 1940s and plantations began to appear not only in the Cape province but wherever appropriate areas could be found, particularly in the eastern provinces. By this time South Africa's manufacturing industry had begun to expand and diversify, and the wood processing industry moved beyond structural and mining timber and into higher value products including furniture, paper and packaging.

In all this time, plantation forestry was entirely a creature of the state. Government workers planted, tended and harvested the forests, and the state covered the costs of running the industry. Timber was sold to processing companies below the cost of its production, and highly attractive contracts were offered to manufacturers who were prepared to process and on-sell the wood.

Why would the state undertake and subsidise these activities? As can be seen in certain other sectors, government saw itself as a developmental agent in the economy, particularly between the 1950s and the 1980s. Plantation forestry was a risky business and private sector players were reluctant to enter the industry at first. This can be attributed to:

- the long lead times between the initial investment and the expected return
- the risk of poor yields due to limited knowledge of soils, pests and diseases
- the cost of research, particularly with regard to species selection
- risks associated with fires and with conflicts with local communities over land

Over time, many of these initial costs were reduced. State investment in research improved knowledge of soils, species, pests and diseases. The insurance market also matured to a point where plantation owners could get insurance cover. At the same time, the private sector companies became more experienced and developed tremendous expertise in the manufacture of pulp, paper and packaging, as well as certain solid wood applications. These factors together brought the private sector into the plantation industry and by the mid 1970s, the area under private plantations overtook the area under state plantations. By the late 1980s, the rationale for state involvement in the sector began to wane and the issue of privatising state forests was placed on the agenda for the first time. In the early 1990s, state forests were corporatised by being placed in a state-owned company rather than being managed as part of the public service. In the year 2001, after a long and complex process, the first state plantations were sold to private operators with government retaining a small share. The privatisation process is still under way with some 20% of state plantations already sold, 45% in the tender process and 18% earmarked for conversion to other land uses.

Why did the state involve itself in the development of the plantation forestry industry? Why put public money into what is essentially, in this context a branch of the agricultural (and later industrial) sector? Over many decades, successive governments saw timber as a strategic resource without which the economy would not be able to develop. And not only was timber a strategic resource, but one that, for reasons described above, the market could not be relied upon to supply. The high risks in forestry created a kind of market failure as a result of which the economy might find itself without a key strategic resource. As a result the state committed itself to a developmental role, particularly from the 1940s to the 1970s. Government decided that it would invest resources into the establishment of the industry in order to supply the resource, until such time as private players would be in a position to take over. There was also another consideration. This was the concern of the state to promote industrialisation and the development of a diverse manufacturing sector, and in particular to develop industries that could bring investments to rural areas.

In this respect the state could be said to have succeeded albeit at a high price. Because the development took place during the apartheid regime, which provided benefits and privileges along racial lines, the meaningful benefits that the economy enjoyed through the success of the industry, only benefited a specific group. The fact that this development took place during a time when indigenous people were being forcefully removed from their land negated the employment opportunities that were later enjoyed by the rural population.

By the late 1980s the state showed signs of being ready to exit the forest sector, establishing a commercial forestry company to manage its forestry assets in 1992. Indeed its original aims had largely been fulfilled; South Africa had developed large and successful forestry companies that were making great contributions to the national economy, particularly in rural areas. South Africa had also become a significant exporter of forest products and a leader in certain aspects of forest research and management. An industry had been established, and a sustainable resource created. By the early 1990s, on the eve of democracy, South Africa's forest sector had been conceived and nurtured and was ready to fly on its own.

3.2 Recent contribution to black empowerment

In 1994, after a long and very painful struggle, South Africa was liberated from apartheid. Democratic elections were held for the first time, and a government of national unity came to power, led by the African National Congress that had been at the forefront of the battle against apartheid for nearly forty years. The new government faced many priorities. Forestry was not one of them. But economic growth was, and so was the empowerment of black South Africans, poor people in general and rural people in particular. These priorities soon found their way into the national forestry agenda, and particularly onto the agenda of the government departments involved in the forestry sector, most importantly the Department of Water Affairs and Forestry (DWAF).

We have already seen above that the state had begun to commercialise its forestry assets in the late 1990s with a view to later privatisation. The privatisation programme stalled during the run-up to democracy as the ANC government was cautious about accepting the idea of privatisation. In the end a case-by-case approach was adopted and it became clear that while there was opposition to privatisation in areas like electricity generation, the ownership and management of plantation forestry was not attractive to the new government in the long term. Besides, the new government was increasingly concerned with addressing social problems and promoting black economic empowerment and it was felt that the sale of state-owned forest plantations (among other state assets) could help achieve this if managed correctly.

Three key decisions were made in the privatisation model with the aim of empowering disadvantaged communities:

- (i) A minimum of 10% of the shares in the forestry companies would be set aside for black groups representing previously disadvantaged South Africans or Black Economic Empowerment (BEE) entities. Bidders for the forests would have to partner BEE groups and assist them to finance their 10% stake.
- (ii) The forest land would be leased to companies on a long-term basis but the land itself would not be sold. The companies managing the forests would have to pay a rental to government. This rental would be passed on from government to trusts representing land reform beneficiaries or groups with some form of recognised land tenure.
- (iii) Up to 9% of the shares in the companies would have to be set aside for the employees, and trade unions would play a role in managing this process.

In the two sales of forestry assets that have been completed (the 60 000 hectare package bought by Singisi Forest Products) and the 20 000 hectare package bought by SiyaQhubeka), these conditions have all been implemented. In both cases, the 10% share reserved for black empowerment groups included substantial shareholding by communities who live near the forests. The majority shareholders, in both cases well-known South African forestry companies, facilitated these purchases. The rental condition too, has been met. This relies on an aspect of South African land reform that allows black communities and individuals to claim ownership of land if they or their ancestors were removed from the land as a result of racial laws under apartheid. In addition to this, communities may claim ownership of land that was held in trust by the state. The third condition that of worker ownership of a portion of shares has also been met and currently government is grappling with the implementation process and the process of educating the beneficiaries about the risks which are associated with holding shares.

Some of these features of the forestry privatisation process were based on the experience of the New Zealand plantations. New Zealand also faced a complex privatisation process that included land claims. Maori groups are now significant shareholders in ex-state plantations in that country.

The New Zealand experience was a very helpful source of ideas and information during the course of the South African process, particularly with regard to the leasing of public land and the integration of land reform into the process. We were surprised however at how little research information was available about this experience and how little discussion the process had attracted in international circles.

4. Issues for consideration before the next World Forestry Congress

For some years there has been interest in small growers in various countries. This is to be welcomed. However, the debate on

the potential of forestry to contribute to both national economic development and local level economic empowerment needs to be broadened and deepened. The debates on the fair accessibility of global markets to small growers; the direct and indirect costs and procedures, which have been perceived as being cumbersome by small growers, need to be addressed. The relationship between free trade agreements, in pursuit of enhancing market access, and acceptable national support measures, to cushion the impact of the incoming products on the small and community growers, need to be investigated

However, the debate on small growers should not take place at the expense of other work on the potential for economic empowerment in the forestry sector. In particular we need to shift from an over-emphasis on subsistence and into experiences that have a wider economic and empowerment impact.

It is important to say that initiatives that may involve poor people, rural communities or other marginalized groups in the forestry industry are fraught with dangers. Processes need to be carefully managed and strongly regulated. But this is all the more reason to research these experiences, debate them and highlight opportunities as well as dangers. Among topics for research and debate we would propose:

- The relative merits of forest leases vs. concessions
- Different models of forest and corporate regulation
- Experiences of community and worker shareholding schemes
- Economic, environmental and social consequences of state ownership of forests
- Case studies of changing ownership and how this impacts on sustainability
- Practises that damage the forestry industry including corruption
- The social and economic impact of forest certification
- Forestry, land reform and the potential for rental payments to communities.
- Mechanisms for increasing foreign investment while foreign aid declines.

By drawing attention to this aspect of forestry and development, we hope that new ideas will be generated which will help developing countries to grow their economies, poor communities to grow their share, and forests to grow, sustainably.