

Forestry Sector Broad Based Black Economic Empowerment Indaba
Speech by Ms Buyelwa Sonjica, Minister of Water Affairs and Forestry
Eskom Convention Centre, Midrand, Gauteng
18 April 2005

Distinguished guests, ladies and gentlemen, it is with great pleasure that I welcome you all to this important Indaba where we are going to discuss with you how the Forestry Sector can best meet the need we face together to ensure Broad Based Black Economic Empowerment (BBBEE) in the Forestry Sector and to chart the way forward in this regard.

It is worthy to note that the month of April is very significant in the political, economic and social calendar of our beloved country. Incidentally, it was on the 27th April 1994 that our nation made an irreversible break with our racist and oppressive past. It was also on the 18th April 1905 that Enoch Sontonga who composed part of our national anthem, passed away. In celebrating his illustrious life and saluting his creative and unifying voice, it is most appropriate that we have gathered here to initiate a transparent and inclusive process that should give further impetus and substance to our hard won freedom in the forestry sector.

You have been invited to the Indaba because you are all key stakeholders in the Forestry Sector. We have here today captains of industry in the forestry production and processing sectors, representatives from forest industry bodies such as the South African Forestry Contractors Association. There are representatives of organised labour as well as people representing small timber growers, small scale saw millers and many other sub-sectors in the Forestry Industry. We have non-government organisations, researchers, academics, public officials and many other stakeholders, all involved and interested in the Forestry Sector.

Your presence is a reflection of both the diversity and importance of the Forestry Sector in the South African economy and the role it plays in the lives of millions of people in South Africa.

There is not much that I need to say here about the importance of forestry in our country. From humble beginnings, it has grown to be one of the largest value adding sectors of our economy. In 2003, commercial forest products contributed R14,5 billion, 1,3 percent of total GDP. The industry has total capital investment of approximately R21 billion. It contributes some 9 percent of overall manufactured exports worth more than R10 billion. Critically important is the fact that the Forestry Sector employs about 130 000 people directly and we know that the multiplier effect means that many more citizens, mostly rural, South Africans benefit from this industry through the commercial plantations which cover some 1,37 million hectares.

The products of the Forest Industry are vital to our housing and construction industry, furnishing and appliance industry, mining industry, printing industry, packaging industry, as well as the telecommunication and energy sector. The sector is well developed, highly integrated and diversified in terms of both products and markets served. Value-added timber enterprises, range from pulp and paper products to sawmilling, board products, poles, mining timber, wood chip and charcoal.

Forestry also plays an important role in the country's second economy with the majority of South Africa's rural poor making extensive use of forest products for daily consumption and small-scale trade. Firewood, building poles, medicinal plants and edible fruits are all critical to the livelihood of the rural poor. Over 80 percent of rural households use fuelwood as their primary source of energy. The 13 million cubic metres of fuelwood used annually, has a value of approximately R3 billion annually or, for those using fuelwood, just under R2 000 per household per year.

More generally, forests also bring other benefits, to health care and nutrition – our 300 000 traditional healers use plant medicines up to 75 percent of which are derived from tree products and many poor people collect edible fruit and other forest foods. The value of the benefits that poor rural households gain from forests is estimated at one-fifth of their total livelihood, with an annual value nationally in the region of R8 to R10 billion. And it is the

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poorer and more isolated communities, as well as households headed by women, which benefit most from these resources.

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I have highlighted these figures to demonstrate that forests and forest products play a very important role in both the mainstream of the South African economy, as well as the second economy, where the majority of the poor subsist.

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Further work is being done to improve our understanding of this important sector and its benefits.

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The Department of Trade and Industry is leading a study on the opportunities for growth and development in the wood and paper sector to inform a sector development strategy. Linked to this, the Department of Water Affairs and Forestry is working with key sector stakeholders to develop a forest enterprise development strategy. You will find more information on this in the information pack that has been handed out to each delegate.

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My Department is also engaging with key role-players, to look at the contribution of forestry development to the county's agenda on poverty reduction. Again, more information on this is included in your pack.

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Both these initiatives will contribute to our goal here today which is to ensure sustainable Broad Based Black Economic Empowerment (BBBEE) Charter in the Forestry Sector.

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The challenge facing us here today is the fact that the commercial forest sector reflects the legacy of racial imbalances of the past. This is not unique to the Forestry Sector but reflects the consequences of decades of racially determined ownership and control of the country's economy. However, we need to understand the challenge if we are to tackle it successfully. So consider that, according to the facts at my disposal:

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Ownership of commercial plantations by previously disadvantaged groups is estimated at less than 5 percent based on small grower schemes and the Black Economic Empowerment (BEE) percentage in privatised Category A Plantation packages. The growth in the small grower industry, supported by the major forestry companies is encouraging and appreciated but much more will need to be done to ensure equitable ownership patterns; this will not happen solely through the small grower sector.

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Equity participation in the pulp and paper sector is also limited, although some companies have begun to engage black economic empowerment companies.

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Equity participation in the hardwood chip exporting companies is insignificant, except for the supply of raw material from small grower schemes.

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There is participation in small scale softwood sawmills, with 240 out of the 320 sawmills in the country black owned. However, these produce only 25 percent of the country's sawn timber, many operate at marginal levels of sustainability and Black participation in formal large scale saw milling and in local hardwood saw milling is insignificant, although there are some late developments in this sub-sector to increase black participation.

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Participation in imported lumber distribution and value-added processing by black people is negligible.

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In forestry contracting, more than 40 percent of businesses involve some form of black economic empowerment. However, there are huge challenges of viability in this industry, the result, I believe, of the unequal power relations between large forestry companies and their contractors, which leads to a cycle of lack of training, limited management skills, low wages and marginal profitability. I must therefore repeat my concerns about the sustainability of the forestry outsourcing/contracting sector as well as the need for effective empowerment.

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More generally, black people, especially black women, are poorly represented in national industry bodies.

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While institutions of higher learning offering forestry education have 56 percent black enrolment, there appears to be limited job opportunities for graduates and there are very few black women in forestry education.

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There is limited research focusing on increasing the participation by previously disadvantaged groups or Small, Medium or Micro Enterprises (SMMEs) in the forest sector.

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Access to financing and business services by SMMEs in forestry is difficult and often hampered by high initial transaction costs.

This is just a sketch of the situation and I am well aware that more information is needed to gain a full picture of black participation in the Forestry Sector. However, we must acknowledge that the industry is still mostly "white and male" dominated. Hence the legislation defines BBEE defines Broad Based Black Economic Empowerment as "the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas ...".

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I note that there are some important exceptions, such as the large numbers of black women involved in contracting and small grower enterprises. But we still need a clear strategy to increase the number of black people, including black women and the youth, who manage, own and control enterprises and productive assets in the Forestry Sector, to ensure equitable representation of black people in all occupational categories and levels in the workforce and to ensure broad based benefit from the sector.

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I would now like to turn to three principles, which I believe should guide us in finding an answer to the Black Economic Empowerment challenges facing the industry:

We need to recognise that Broad Based Black Economic Empowerment and economic prosperity and growth in the Forestry Sector must go hand-in-hand. We will have difficulty achieving sustainable Black Economic Empowerment without the growth of the sector and an effective Forestry Sector strategy will in turn contribute to successful Broad Based Black Economic Empowerment.

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We must recognise that all role-players in the commercial forest products sector will have to work in partnership to achieve sustainable Broad Based Black Economic Empowerment. There is a high level of integration in the forest products sector: Plantation forestry cannot exist without the timber processing industry and vice versa. Likewise, the sector cannot succeed unless both government and the private sector work together and partnerships with organised labour and rural communities are also essential. This approach must form the basis for the development of a Forestry Sector Charter.

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This leads on to the third principle, namely that a successful and sustainable Broad Based Black Economic Empowerment process depends on participants committing to a shared vision for the forest industry and positive attitude, seeking win-win approaches, to tackling the Black Economic Empowerment challenge. I believe we can achieve this because commercial forestry is not just a successful industry, but it is also a socially responsible industry. This is demonstrated by the high level of environmentally certified plantations, the investment made by forestry companies in schools and clinics in our rural areas, the proven commitment to small grower schemes and efforts to support black empowerment in the contracting sector. We are also encouraged by the industry's successes in waste paper recycling which has also supported the livelihoods of thousands of paper vendors in the country. We believe that the commercial forestry industry will continue to play a constructive and supportive role in the process.

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I have outlined the context in which Government wants to proceed with Broad Based Black Economic Empowerment in the Forestry Sector.

I would draw the attention of this Indaba to the fact that the Department of Trade and Industry has published draft Codes of Good Practice on Black Economic Empowerment, as required

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under the Broad Based Black Economic Empowerment Act, 2003. One of these codes deals with Sector Transformation Charters. Our analysis of the qualification criteria outlined in the Code of Good Practice points to the need for a Forestry and Forest Product Sector Charter. In short, we believe that we need a Forestry Sector Charter.

I would note that we have held consultations with many of the groups within the sector and I have also held two Imbizos, one in Umzimkulu and the other in KwaZulu-Natal, in the run-up to the Indaba . To all who gave their time in this regard I would thank you for your willingness to engage with us on this vitally important topic. The consultation with stakeholders in preparation for the Indaba shows support for the establishment of such a Charter. So today, what we would like to achieve is your confirmation of this and to start the Charter process. This will entail the following:

- Identifying potential participants to the Charter. These participants need to include key enterprises within the sector, industry bodies for the sector and its sub-sectors, relevant government departments which interface with the sector, relevant labour bodies and trade unions and others with an interest in the sector.
- Agreeing the mandate and powers of a Steering Committee to guide and manage the development of a Forestry Sector Charter.
- Identifying working groups that need to be included in the Steering Committee and prescribing the mandate and powers of these working groups.
- Consulting participants to nominate people to serve in the Charter Steering Committee or any of its working groups. I will then consider the nominations and appoint the members of the Steering Committee in the near future. I will announce the appointment of the Steering Committee members in my annual Budget Speech which I will deliver to Parliament in May.
- Consulting participants to pledge support for the establishment a secretariat, and possibly the appointment of an independent Chairperson, for the Charter Steering Committee and its working groups and to facilitate the development of the Charter. In this regard both financial and technical support to disempowered groups to allow them to engage fully in the process will need to be provided and we will look to all parties to assist in this regard.

The mandate of the Steering Committee and, in particular its working groups, will depend on the issues and challenges which need to be addressed in the Forestry Sector Charter. While we obviously have some ideas on this, I look forward to hearing your ideas. One of the tasks of the Steering Committee and working groups will be to consult with specific stakeholder groups and then to develop proposals on the various issues to be addressed in the Charter. So we will also need to give guidance to the Steering Committee on how these issues will be dealt with after the Indaba. Finally, we must note that the Minister of Trade and Industry has instructed sectors to produce a draft Charter before the end of the year. This is a task with clear deadlines and we must manage it accordingly.

In conclusion, I wish to reiterate Government's commitment to ensuring that we achieve effective Broad Based Black Economic Empowerment in the Forestry Sector. As important, I need to reiterate our belief that Government and the private sector need to work in partnership to address this challenge and that a Sector Transformation Charter is the instrument that will enable us to do so. But most importantly, I must repeat my belief that the Forestry Sector is well placed to meet this challenge and confirm Government's commitment to promoting a growing and thriving and empowered Forestry Sector for the benefit of all South Africans

I thank you for your attendance at the Indaba today and for the support which I believe you will all give to the development of a Forestry Sector Charter which will contribute to addressing the national challenge of achieving Broad Based Black Economic Empowerment.

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The future of forestry in South Africa is in our collective hands and I am sure that, working together, we will achieve our common goals.

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I thank you.

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**DEPARTMENT OF WATER AFFAIRS AND FORESTRY****ENQUIRIES: Renny Madula****TELEPHONE: 336-7383****REFERENCE: F7/5/16****19/3/4****7/5/16****F1/3/60****MINISTER****DRAFT SPEECH FOR POSSIBLE USE AT THE FORESTRY SECTOR
BROAD BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) INDABA,
18 APRIL 2005**

For your consideration and possible use at the above event I enclose a draft speech. I also enclose an electronic version thereof, should you wish to make amendments to it.

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annually, is harvested from savannas, indigenous forests and plantation off-cuts. This

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l		
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. This is a positive trend, but the		
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fact that the		
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, should be noted		
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focus that aims to increase greater		
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forestry and its downstream activities		
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sure that some of the issues I have just outlined could be challenged and that		
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properly profile		
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this cannot detract from the fact		
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Still,		
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and action is needed		
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and		
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The scope for the

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is severely constrained		
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prospects for		
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. Therefore, the engagement of stakeholders in the development of a		
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is important for		
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The need for		
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to		
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re is a		
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with		
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<i>the health and vitality of the timber processing industry depends on the health and vitality of plantation forestry</i>		
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control the fate of the sector		
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.		
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The need for a public-private partnership (also involving labour) in meeting the challenge of Broad Based Black Economic Empowerment for the sector as a whole, which draws on both the resources and commitment of the private sector and a supportive government policy and regulatory environment is clear to us all here today. T		
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represents such a partnership arrangement		
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attitude		
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a win-win		
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,		
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this is possible,		
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apart from		
Page 3: [25] Deleted	zza	08/04/2005 09:16:00
being		
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I also believe		
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We need only to look at the fact that South Africa has		
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est		
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in the world,

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plantation forestry's

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its

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in

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supporting

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can

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take

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from

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leading role

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and the attention it gives to

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ing

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Thirdly, I wish all of you to note that the Minister of Trade and Industry has instructed sectors to produce a draft Charter before the end of the year. Finally, I wish to reiterate

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. As key stakeholders in the

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you are all people who have vested interests in a positive outcome for the industry.

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will meet the great need this country faces for