



The Forests Dialogue

TFD STEERING COMMITTEE 2006

Mubariq Ahmad
Worldwide Fund for Nature
Indonesia

Mohamed Bakarr
World Agroforestry Centre
Kenya

Steve Bass
International Institute for
Environment and Development
United Kingdom

Gerhard Dieterle
The World Bank
United States

William Ginn
The Nature Conservancy
United States

James Griffiths
World Business Council for
Sustainable Development
Switzerland

Sharon Haines
International Paper
United States

Matti Karjula
Stora Enso
Finland

Lars Laestadius
World Resources Institute
United States

Thor Lobben
Norske Skog
Norway

Stewart Maginnis
World Conservation Union
(IUCN)
Switzerland

Viv McMenamin
Mondi
South Africa

Cassie Phillips, TFD Co-Leader
Weyerhaeuser Company
United States

Per Rosenberg
Global Forest & Trade Network
(WWF)
Sweden

Carlos Roxo
Aracruz Celulose
Brazil

Stephan Schenker
Private Forest Owners Association
Austria

Nigel Sizer
United Nations Environment
Programme
Kenya

Roberto Smeraldi
Friends of the Earth
Brazil

Manoel Sobral
International Tropical Timber
Organization
Japan

William Street, Jr.
International Association of
Machinists and Aerospace Workers
United States

Justin Ward, TFD Co-Leader
Conservation International
United States

Amelia Wright
Family Forest Owner
United States

Gary Dunning
Executive Director
The Forests Dialogue

THE FORESTS DIALOGUE

Scoping Dialogue on Poverty Reduction through Commercial Forestry

19-21 June 2006 – Richards Bay, South Africa

Co-Chairs' Summary Report

Steve Bass, Peter Gardiner, Bill Street

From 19-21 June, The Forests Dialogue (TFD) brought together 27 leading experts to discuss approaches to maximize forestry's potential to reduce poverty. Representing forest companies, NGOs, IGOs, labour, development agencies, and research institutions, participants shared knowledge and experience to highlight some of the key challenges and opportunities of pursuing commercial wood production (hereafter called 'commercial forestry') as a mechanism to lift people out of poverty.

While the meeting was global in scope, learning and challenges from South Africa featured prominently through field visits and presentations. Local initiatives, such as outgrower schemes in rural communities, enriched discussions by offering pragmatic examples of 'pro-poor' forestry which participants could discuss, challenge and assess.

The meeting's objectives were to:

- ➔ Examine illustrative cases and identify obstacles to replication elsewhere;
- ➔ Clarify the stakeholder roles, commitments and actions necessary to realize the potential of commercial forestry to reduce poverty;
- ➔ Advise TFD's full Dialogue on forests and poverty reduction in development for early 2007.

Background

Since its inception, TFD has identified poverty reduction as one of the most significant challenges facing the world today. When the 2005 Millennium Summit confirmed that progress has been very slow in reducing poverty in many countries, the TFD Steering Committee decided that it was timely to explore where and how commercial forestry has real potential to reduce poverty. The importance of this challenge is highlighted by the facts that: two-thirds of the world's poorest people live in rural areas; some of the poorest countries are disproportionately dependent on forests; and yet poverty reduction efforts (including aid) have not engaged with commercial forestry.

As a starting point for TFD's initiative on poverty reduction, a background paper was commissioned by James Mayers (IIED), to begin compiling and assessing the evidence for commercial forestry as a means for reducing poverty. The paper concluded that commercial forestry has the potential to offer ways out of poverty –above and beyond poverty mitigation or using forests as 'safety nets'. Through well intentioned design, pro-poor forestry can enable steady income generation, promote access to markets and economies of scale, clarify land rights and ownership, advocate worker safety and rights, and contribute holistically to improving the lives of poor

people and their communities.

While the potential may exist, few studies have analysed the role of the commercial forest sector in lifting significant numbers of people out of poverty. Even where forestry contributes significantly to national economies as measured through GDP, the proportion which trickles down to poor people is difficult to quantify. Industrial scale commercial forestry jobs and income have at best avoided exacerbating poverty - evidence that they have reduced poverty is scarce. Timber is often out of poor people's reach but, where the rights and policy framework is favourable, evidence is growing that small and medium forestry enterprises can reduce poverty. Whilst there is a variety of initiatives seeking to recognize 'sustainable,' 'responsible' or 'legal' forestry, schemes to acknowledge or verify 'pro-poor' forestry have not yet been developed.

The background paper suggests specific motivations and key actions that would be required by various stakeholders if the pro-poor potential of commercial forestry is to be realised. The background paper can be found at www.theforestsdialogue.org/poverty.html.

The Program

For three days, meeting participants explored the potential and drivers of pro-poor commercial forestry, and barriers to scaling up. The first day was spent in the field, visiting and discussing the small grower schemes and community development initiatives of two forestry companies operating in South Africa – Mondi and SAPPI – as examples of pro-poor forestry. The second and third day of the dialogue consisted of presentations, discussions and working groups to further distill key issues and obstacles, and frame the scope of a full Dialogue.

Presentations commenced with a review of the meeting's background paper, "Poverty Reduction through Commercial Forestry: what evidence? what prospects?" (James Mayers, IIED). Subsequent presentations featured reflections on pro-poor forestry from the Forest Industry (Peter Gardiner & Sakhile Ngcobo, Mondi and Rosanne Monteiro Borges, Aracruz), Labour (Inviolata Chinyangarara, Building and Woodworkers International), NGO (Dale Dore, Shanduko), Government (John Cantrill, South Africa Department of Public Enterprise) and Investment (Gerhard Dieterle, World Bank). The presentations as well as other materials can be found at www.theforestsdialogue.org/poverty.html.

The discussion that followed shared lessons from several approaches to 'pro-poor' commercial forestry, and identified challenges and mechanisms for assessing the potential of pro-poor forestry. Working groups were formed to scope ways of creating the political will for scaling up successful approaches and removing barriers to pro-poor commercial forestry.

Local Context

Holding the meeting in the KwaZulu-Natal province of South Africa, enabled participants to gain insight into the complex socio-economic conditions facing rural communities and the context within which forestry companies like Sappi and Mondi operate. Many rural communities are faced with high infection rates of HIV/AIDS, limited opportunities for education and employment, and limited access to basic services such as drinking water and sanitation. Forest companies face limited opportunities for land acquisition and are under pressure to comply with the government's Black Economic Empowerment policies. The combined urgency of all these issues has led to the emergence of new and innovative pro-poor forestry. Specific examples of pro-poor forestry initiatives from South Africa include:

- ➔ Sappi and Mondi's small grower schemes
- ➔ Mondi's Socio-Economic Assessment tool and Siyaqhubeka initiative
- ➔ Mondi's Zimele model of engaging with small-medium sized forest enterprise
- ➔ Programmes and projects within Corporate Social Responsibility commitments



Senzo Mkhize and Martin Eweg

A visit to Sappi's small grower scheme at Kwambonambi richly illustrated the opportunities and challenges of pro-poor commercial forestry. Particular questions and themes emerging from the field visit included:

- ➔ What are the profiles of different small growers or workers?
- ➔ How do they express their poverty or wealth, and what indicators do companies and governments use for measuring livelihood improvements?
- ➔ What difference do small grower schemes make to communities at large? Do they provide sufficient income for participants to escape poverty? How accessible are they, and how can barriers to participation such as land ownership be overcome?



Main Conclusions of the Scoping Dialogue

1. *Commercial forestry has real potential to produce wealth*

The potential of forestry to produce wealth for poor people, through timber or fibre production, and solid wood and pulp and paper processing has been under-emphasized as compared to the safety net functions of forests which reduce poverty through provision of fuelwood, grazing, non-timber forests products (such as fruits), etc. However, commercial forestry can also offer safety nets and address other non-income environmental deprivations facing the poor, as well as deprivations in terms of rights, skills and connections. But this is not automatic: the way that commercial forestry is operated is key. Factors such as efficiency and effectiveness are important, but careful consideration of equity in structuring, corporate-community partnerships and formal/informal employment relationships must also be added.



Tomas Jonsson, Jouko Virta and
Co-Chair Peter Gardiner

2. *Pro-poor commercial forestry can take many different forms*

Models of pro-poor commercial forestry may include (1) effective management of public forests, efficient revenue capture, and expenditure of this revenue on a variety of pro-poor developments; (2) small and medium enterprises run by, and/or employing, poor people; and (3) large enterprises that directly engage in equitable partnerships with poor people. However, the precise economics and social implications of such models are not yet entirely clear. For instance, discussion highlighted the complexities of out-sourcing silvicultural treatments, harvesting and hauling functions, as well as the conflicting role of technology that increases productivity yet reduces employment. Clearly, finding a balance between profit optimization and equitable benefit sharing between poor people and forest companies will be essential towards realizing pro-poor forestry.



3. *Enabling conditions and key drivers steering commercial forestry towards poverty reduction*

Through discussions and working groups, participants identified a number of enabling conditions and key drivers that are helping to realize forestry's potential to reduce poverty. Significant progress could be made when several of these conditions and drivers are more strongly linked.



Inviolata Chinyangarara

Enabling conditions identified through discussion

- ➔ Policies and Institutions: The growing policy push for poverty reduction from governments in the North and South may be expected to open the doors to a

mainstreamed pro-poor approach. Successful approaches consider macro-level changes – such as forest sector restructuring exercises and land restitution – that offer the opportunity to rethink the distribution of costs, benefits and risks of commercial forestry.

- ➔ Social and Labour Movements -the continued development of strong community structures as well as small holder and labour organizations enables equitable corporate/community partnerships. Forest certification systems that have strong social components and enforce minimal standards such as the ILO's core labour standards provide important tools for workers and communities to engage in self organization.
- ➔ Long-term partnerships: developing and maintaining alternative and strategic partnerships among key actors improves knowledge sharing and understanding, builds empowerment and trust, and spreads costs, benefits and risks more equitably. Strong and equitable social partnerships are important for promoting pro-poor policies and for maintaining a corporation's social license to operate in both the developed and the developing countries.

Key drivers identified through discussion

- ➔ *Effective Leadership*: pro-poor forestry emerges through clear vision, innovation and leadership amongst actors and across sectors.
- ➔ *Advocacy*: recognizing the economic contributions of forestry to poverty reduction requires continued research and advocacy, improved transparency, and greater sector-wide awareness of opportunities for pro-poor initiatives in supply chains. Heightened awareness to social issues can lead corporations to develop and enforce social contracts with policies balancing economic returns with social and economic equity.
- ➔ *Markets*: Demand for a wide range of sustainable forest products and eco-system services including: fibre and wood, conventional non-timber forest products, biomass and “green energy”, clean water, recreation, carbon sequestration and biodiversity, present opportunities for many levels of society, especially the rural poor, to earn sustainable incomes.
- ➔ *Incentives*: mainstreaming pro-poor forestry from the periphery to the ‘big deal’ requires positive incentives. Whilst some forest companies invest in rural development for sheer company survival, or for a social license to operate, incentive schemes may encourage more companies to pro-actively engage.
- ➔ *Clear Indicators*: measuring progress towards poverty reduction requires a clear picture of goals from a forest sector point of view, a strong articulation of social standards as they relate to forestry, measurable indicators, baseline livelihood data, and continuous monitoring. Incorporating standards of pro-poor forestry into existing forest certification standards may be an effective way to mainstream.

Key barriers inhibiting progress towards poverty reduction

There are several barriers which currently limit the scale of pro-poor commercial forestry and the ability to replicate projects elsewhere Through their articulation, future intervention can be targeted strategically to dissolve these barriers.

- ➔ *Capacity*: from the community through to the government level, there is a need for improved understanding of sustainable forestry and its potential to reduce poverty in rural communities. Governments may require additional capacity to prioritize poverty issues and catalyze pro-poor benefit sharing within the forest sector. Small-scale producers, workers, and communities may require additional capacity in organizing, empowerment, as well as business enterprise and marketing. Companies need improved capacity to understand and work with different groups of poor people and their communities including those in formal and informal employment situations.



Co-Chairs Bill Street and Steve Bass



Group in Dialogue



James Mayers

- ➔ *Scale of operation:* Economies of scale strongly favour large and medium forest enterprises. The cost of securing basic services such as access to land, land-use plans, environmental impact assessments and technical forestry advice can easily prevent potential small growers from participating in the wealth of the industry. Is there a role for Government, international donor agencies and other institutions in providing this basic support?
- ➔ *Markets and Finance:* cost of entry, land tenure & security and market access are commonly identified barriers for commercial forest producers, especially small-scale operators. Additional barriers which may inhibit pro-poor forestry include: corruption, illegal operators, unfair global markets, irresponsible producers and a lack of market demand for socially responsible products. Small scale forestry generally provides regular periodic income as opposed to annual cash-flow. The wise use of this periodic income in association with other sources of rural income, such as agriculture, could be an important factor in sustainable wealth creation for poor rural people.
- ➔ *Policies and Institutions:* in some cases, institutional and legislative reform may be required to enable pro-poor commercial forestry. Particular barriers identified include: access to land, land tenure security (for communities and corporations alike), and lack of transparency surrounding concession allocation and the revenue flows of corporations and government. Increasingly globalized market economies will require proactive management to reduce illegality and labour distortions between countries that can contribute to poverty.

The Way Forward

The scoping dialogue confirmed that there are enough positive trends to warrant a major push to scale up pro-poor commercial forestry. Given these conclusions, the scoping dialogue recommends a full-scale dialogue process as a means to generate practical action towards meeting these requirements. Provisionally, the Dialogue will need to address: (a) improving information and transparency on good sustainable practices and how far they are being achieved for pro-poor commercial forestry; (b) exploring cooperation to better link drivers and overcome barriers (which will involve actors beyond the forest sector); (c) continued generation of compelling ideas for subsequent promotion and action; and (d) expressing these in terms of business models.

The next dialogue will be tentatively scheduled for early 2007. The specific location and objectives for the next dialogue will be developed in the coming months by the TFD Steering Committee, mindful of the issues, discussion and recommendations put forward in this Scoping Dialogue. TFD will also work closely with the leaders of related pro-poor initiatives to align objectives where possible and avoid duplication. Suggestions are very welcome: please contact the Secretariat at info@theforestdialogue.org. For updates on this initiative and TFD's wider schedule of events, please refer to www.theforestdialogue.org.

Acknowledgements

TFD wishes to thank SIDA, BWI, Mondi, Sappi, and IIED for generous financial and in kind contributions for this meeting. We also thank all participants for a fruitful exchange of information, experiences and views. TFD offers particular thanks to all the South African participants for their thoughtful contributions and generous hospitality, and in particular to this scoping dialogue's host, Mondi.

Dialogue Presentations (www.theforestsdialogue.org/South%20Africa%20poverty%20dialogue.html)

Borges, Rosanne. *Poverty Reduction through Commercial Forestry: Industry Reflection.*

Chinyangarara, Inviolata and Paul Opanga. *Labour Reflections from BWI.*

Dieterle, Gerhard. *Southern Eastern Africa Investment Forum: Main Conclusions of Investment Forum Discussions.*

Dore, Dale. *Poverty Reduction through Commercial Forestry: NGO Reflection.*

Gardiner, Peter and Sakhile Ngcobo. *Plantations and Poverty: Company Perspective.*

Mayers, James. *Poverty Reduction through Commercial Forestry: What evidence? What prospects?*

Further Reading (www.theforestsdialogue.org/South%20Africa%20poverty%20dialogue.html)

Mayers, James. *Poverty Reduction through Commercial Forestry: What evidence? What prospects?* International Institute of Environment and Development (IIED). Background Paper for TFD Scoping Dialogue.

Mkhize, Chris. *Poverty in South Africa and the Role of Corporate South Africa* (Mondi & Sappi). June 2006.

SAPPI. *Project Grow Report.* 28 June 2006.

SHANDUKO. *Building better corporate-smallholder partnerships*

The IUCN/WWF Forest Conservation Newsletter. *Arborvitae29 - Poverty and Forests.* December 2005.

Dialogue Participants

Steve Bass - IIED

Rosane Monteiro Borges - Aracruz

John Cantrill - Department of Public Enterprise

Inviolata Chinyangarara - Building and Woodworkers International (BWI)

Stuart Christie - SAPPI

Gerhard Dieterle - The World Bank

Dale Dore - Shanduko

Gary Dunning - The Forests Dialogue

Arthur Ebregt - Netherlands Development Organization

Michael Edwards - Forestry South Africa

Jessica Eskow - International Paper

Martin Eweg - South African Sugar Association

Peter Gardiner - Mondi

Bill Ginn - The Nature Conservancy

Tomas Jonsson - Ramböll Natura

Peter Lowe - FAO

James Mayers - IIED

Viv McMenamin - Mondi

Pierre Methot - World Resources Institute

Senzo Mkhize - SAPPI

Sakhile Ngcobo - Mondi

Steven Ngubane - Forestry South Africa

Paul Opanga - BWI

Sarah Price - The Forests Dialogue

Nigel Sizer - UNEP

Paul Steele - Institute of Policy Studies, Sri Lanka

Bill Street - IAMAW

Paul Vantomme - ITTO

Jouko Virta - APRIL

For more Information about The Forests Dialogue, please see our website at www.theforestsdialogue.org or e-mail info@theforestsdialogue.org