Global economic crisis and long-term development: a view from the South African forestry sector

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While safeguarding domestic industries and jobs, crisis mitigation policies and measures should also help to build growth prospects for the world economy.

The world financial system meltdown and resulting economic crisis have caused a growth crisis in African economies. A great concern is that the growth crisis may degenerate into a development crisis as the recession deepens. Like other developing countries which are strongly integrated in the world economy and significantly dependent on its good health, South Africa has been affected by the sharp fall in demand for its export products and the drop in prices of key export commodities.

The South African Government has proposed a number of broad principles to govern South Africa's response to the crisis. These include:

- avoiding placing the burden of the downturn unfairly on the poor and the vulnerable;
- protecting and supporting activities aimed at strengthening the capacity of the economy to grow and create jobs in the future;
- maintaining the planned high levels of investment in public sector infrastructure and encouraging private-sector actors to maintain and increase their fixed direct investment;
- ensuring that interventions are timely and appropriately targeted and tailored.

The Department of Agriculture, Forestry and Fisheries endorses a combination of measures for public and private-sector employment and training to help avoid massive job losses in the period ahead. Under the auspices of the Expanded Public Works Programme, the Forest Department will accelerate implementation of labour-intensive programmes such as Working for Woodlands (to rehabilitate degraded woodlands), Working for Water (a programme for removing invasive species) and Working on Fire. Through these programmes appropriate training courses will be offered, accredited by the relevant authorities. Equitable representation of unemployed youth, women and disabled people will be sought to satisfy social as well as environmental needs. So far (to August 2009), South Africa has announced a major public investment programme of approximately 787 billion rands (US$101 billion) over the three financial years to March 2012 to assist in these processes.

The Forestry Sector Transformation Charter which was approved by Parliament in 2008 (see www2.dwaf.gov.za/webapp/Documents/ForestSectorCharterSection9Gazzette.pdf) provides a framework for efforts to abate the current crisis. The charter guides the diversification of products and development of new products to widen market access. Furthermore, it steers financial support of emerging and small, medium and micro enterprises (SMMEs). The Department of Agriculture, Forestry and Fisheries is developing a contract with the Industrial Development Corporation (IDC) to administer soft loans to SMMEs in forestry. In addition to enabling coordinated and accelerated financing of SMMEs, the funds secured from IDC will be used to avoid job losses and increase employment in the forest sector.

Based on commitments made in the charter, the Forestry Branch has requested additional funding of 100 million rands (US$12 million) from treasury to restore degraded forests and restock temporarily unplanted areas of about 17 000 ha. It is envisaged that these efforts will absorb some retrenched workers and also cater for an increase in afforested land, while also helping to combat the negative effects of climate change.

The forest industry is the fourth largest exporter in South Africa. From a macroeconomic point of view, the government recognizes the value of a competitive exchange rate. With the rand currently depreciated, there are opportunities to increase employment and generate export commodities in the forest sector. The national response to the global economic slowdown is to rebuild local industrial capacity and avoid deindustrialization during the period ahead. Critical to such a strategy is the need to improve the competitiveness and performance of key local industries, particularly of vulnerable sectors and small businesses.

Countries and the international community need to monitor and review their crisis mitigation policies and measures carefully to ensure that while safeguarding domestic industries and jobs, they do not unintentionally constrain trade growth, which could undermine the economic growth prospects of other countries. Given the intricacies of the crisis, this is an opportune time to review development strategies. The impact of the crisis on international trade and investment must be addressed as a key element of the multilateral agenda. Individual countries must also put in place development strategies that can mitigate the negative effects of the crisis on economic growth and development. Governments must emphasize a focus on development gains.

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