

FOREST SECTOR GOVERNANCE
REFORMS :
SEARCHING FOR FAVORABLE
LIVELIHOOD AND SUSTAINABILITY
OUTCOMES

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Topics Covered

- Key terms
- The promise and pervasiveness of devolution/
decentralization reforms
- Why reform the forestry sector?
- Governance reform and livelihood outcomes
- Governance reform and sustainability outcomes
- Issues and challenges for understanding, analyzing and
evaluating reform outcomes

Defining key terms

- **Governance:** institutional process and the rules of the game for authoritative decision-making (Grindle 2007)
- **Good governance:** attaining particular policy outputs or outcomes including: provision of basic services; macroeconomic stability; opportunities for people to influence policy; provision of basic security (DFID 2001)
- **Devolution:** a wide range of policies that involve the transfer of authority over natural resource decision-making and benefits from the central state to local individuals and institutions located within and outside of government (Campbell, Shackleton and Wollenberg 2003; Edmunds et al. 2003)
- **Decentralization:** Political or democratic decentralization is the transfer of resources and power to lower government authorities or actors which are largely or wholly independent of higher levels of government, and which are democratic to some degree (Manor 1999)

What is a governance reform?

- Reorganization of the institutions that provide structure to the sector (i.e. rights; rules; incentives; transaction costs)
- Often include legislative changes
- Often part of a larger government wide process
- Generally involves some form of devolution/decentralization/privatization to local resource users
- Motives include: civil service reform; cutting costs; [first wave] catalyzing democratic engagement; alleviating poverty; more sustainably managing resource etc. [second wave]

Why reform the forestry sector?

- Some generalizations...
 - Very high rates of forest loss under centralized governance systems
 - The forestry sector in the tropics has traditionally had high levels of corruption
 - Devolved forest management is less costly (i.e. local governments can generate and keep tax and royalty revenue for reinvestment in the forestry sector; local communities can provide forest protection for “free”)
 - Under devolved systems local authorities are held accountable by their electorate – there is a greater connection between the needs of the people and the political process
 - Local resource users gain greater access and control of forest resources – poverty alleviation and sustainability potential

Why are reforms expected to improve rural livelihoods?

- NRM governance reforms have the potential to affect household welfare in two ways:
 - Change the returns to assets (where assets include: natural; physical; human; financial; and social capital)
 - Increase household assets
- CBNRM generally leads to welfare improvements for rural households due to:
 - Increased economic activity
 - Investments in community infrastructure
 - Improved natural resource management

The empirical evidence: livelihoods

- For livelihoods – we don't really know (Larson et al. 2007; Bardhan 2002) - but evidence is emerging
 - Latin America – reforms combined with policies to address structural inequities at the local level favor the poor (give local authorities power – but also increase access rights for the poor) (Larson et al. 2007)
 - Communities and households in some cases receive larger cash or in kind payments from concession holders after decentralization (CIFOR research in Cameroon - Oyono; Palmer and Engel in Indonesia)
 - Central government committed to pro-poor policies and engagement with local elites to ensure implementation is important for livelihood gains (Crook and Sverrisson 2001)
 - Very poor and politically unconnected often don't benefit – endowments and entitlements not realized for some groups (Sikor et al. in Vietnam; McCarthy in Indonesia)
 - High variability in outcomes (Malawi, Vietnam, Indonesia)

Why are reforms expected to improve sustainable forest management?

- Local resource users have greater knowledge about local conditions and how to sustainably manage forests (principle of subsidiarity)
- Involvement of local users in rule formulation and enforcement leads to higher levels of compliance; local involvement in the formulation of regulations should result in site specific regulations that favor sustainability
- The transaction costs of management and enforcement should be lower when local people are involved
- Local people have an incentive to manage forests for over the medium to long term – especially if they are providing income or tangible environmental services

Empirical evidence sustainability

Highly variable outcomes and few studies that explicitly address the issue

- Local government response is a key determinant in rates of deforestation and has led to varied environmental outcomes in Bolivia (do a lot; do a little; ignore new powers) (Andersson and Gibson 2006)
- Accelerated deforestation under decentralization in Indonesia (local governments issues small logging permits (Curran 2004)
- Mixed effects in Cameroon – high rates of forest loss in some communities that received forest governance powers – problem of overlapping regulations and lack of central government intervention when needed (Oyono 2005)
- Historical comparative study of Yucatan – decentralization better for forest protection (Klepeis 2003)
- Mixed depending upon demand for forest products and crops grown in forest soils; degree of degradation; diversity of stakeholders (Banana et al. 2007)

What happens in practice?

Some general findings...

- Reform planning and legislation can be relatively transparent and well laid out – but implementation fails (lack of finances, local capacity etc.)
- Local elites or industry control the process – so the poor don't benefit and in some cases become worse off
- Larger scale conservation initiatives require incentives at multiple levels (local resources users can't be held accountable for catalyzing biodiversity conservation or watershed management over large landscapes)
- Who's motivating the reform seems to matter (civil society vs. international donors or international conservation organizations)
- Where forestry is not a lucrative business or tax generator it is generally a low priority for local government
- There is a large interplay between formal and informal institutions operating at multiple scales – sorting all of this out and trying to understand how it affects outcomes is VERY challenging

Challenges for PEN Global Analysis

- The theory of governance reform as it pertains to livelihood and sustainability outcomes may be too elusive (Tacconi et al. 2006) or at least remains to be fully developed (Larson et al. 2007; Bardhan 2002),

OR

It may be that a general theory of decentralization, livelihoods, and sustainability will be as illusive as a general theory of the commons (see Agrawal and Chhatre 2006)

- Implementation failures – in most cases what we are analyzing is a partial reform that may be variably implemented across a number of dimensions (e.g. spatially; across ethnic or socio-economic dimensions etc.) – this makes it challenging to draw conclusions within and between countries

Challenges for PEN Global Analysis

- What theoretical framework do we draw upon and/or is there a theoretical contribution to be made by PEN?
- Attributing causality between reforms and livelihoods/sustainability outcomes should be done cautiously (World Bank 2008):
 - The types of data required to understand reform outcomes (panel data or randomized experiments) are difficult/costly/impractical to collect
 - Cross sectional analysis requires carefully use of control and treatment groups and appropriate choice of statistical models – if carefully done it can lead us to the *conditions* that lead to favorable outcomes – which are important (rather than just saying it works or doesn't)
- On the sustainability side – how do you compare sustainability outcomes across forest types (this is even a problem for some within country analysis)
- What is the appropriate time frame for evaluating reforms – and does it vary country to country?